

**10/18/78**

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Memo	<del>McIntyre &amp; Owen to Pres. Carter, 1 pg.,</del> <del>re: PL 480 for Egypt</del> <i>opened per RAC NLC-126-A-43-1-8, 6/22/13</i>	10/18/78	A

## FILE LOCATION

Carter Presidential Papers-Staff Offices, Office of Staff Sec.-Presidential Handwriting File 10/18/78 Box 106

## RESTRICTION CODES

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THE WHITE HOUSE  
WASHINGTON

10/18/78

Stu Eizenstat  
Frank Moore

The attached was returned in the  
President's outbox today and is  
forwarded to you for appropriate  
handling.

Rick Hutcheson

cc: Phil Wise  
Fran Voorde

THE WHITE HOUSE

WASHINGTON

October 17, 1978

Mr. President:

If you decide to sign this bill, as we would recommend, we think that you should call Congressman John Murphy of New York, who has called us about this bill, to state that you are signing it because of him and his interest in the bill, even though it may have an inflationary impact and may discourage competition. Congressman Murphy will be an important figure in the Panama Canal implementing legislation next year. In your conversation you should raise this point so that it is clear that you expect him to come around on that issue just as you have come around on this one.

Stu Eizenstat

Frank Moore

*Frank Moore*

*Murphy: Legis vital.  
"Panama" cooperate in doing  
Will what's proper. Will  
See Pres before Xmas"  
J*

THE WHITE HOUSE

WASHINGTON

MEMORANDUM FOR: THE PRESIDENT  
FROM: STU EIZENSTAT *Stu*  
SUBJECT: HR 9998 - Ocean Shipping Act of 1978

THE BILL

Would give the Federal Maritime Commission (FMC) the power to suspend and to disapprove the rates set by State-owned or State-controlled shipping companies, if they are determined not to be "just and reasonable," i.e., predatory rates. The power to suspend rates would not apply to any country with which we had a most-favored-nation treaty, nor to any private shipping company.

This bill is aimed at Soviet and Soviet bloc countries who have been sharply undercutting world shipping rates in recent years in order to develop their own merchant fleets and to obtain "hard" foreign currency. Our shipping industry and those of European countries and Japan have grown increasingly alarmed over these inroads.

The legislation provides for a Presidential override of FMC actions, to prevent action that would be detrimental to our foreign or defense interests.

THE VOTES IN CONGRESS

House - 329-6

Senate - Voice

ARGUMENTS FOR SIGNING

This bill is aimed at curbing unfair competition from State-owned carriers. After seeking guidance from you we testified in favor of this legislation.

ARGUMENTS FOR VETO

Because Soviet carriers have been setting very low rates in some trades, they have exerted downward competitive pressure on shipping rates. Removing this pressure could tend to raise rates.

AGENCY AND STAFF RECOMMENDATION

OMB, DOT, FMC, and State recommend approval. All other agencies have no objection except CEA which recommends veto. No senior staff member recommends veto. Frank and I recommend that you sign this bill.

DECISION

☒ Sign HR 9998

☐ Veto HR 9998

*J*  
*Murphy:*  
*SU has: 4% of our commerce*  
*7% Pacific route*  
*Bill Johnston heading up*  
*study group.*

THE WHITE HOUSE  
WASHINGTON

October 18, 1978

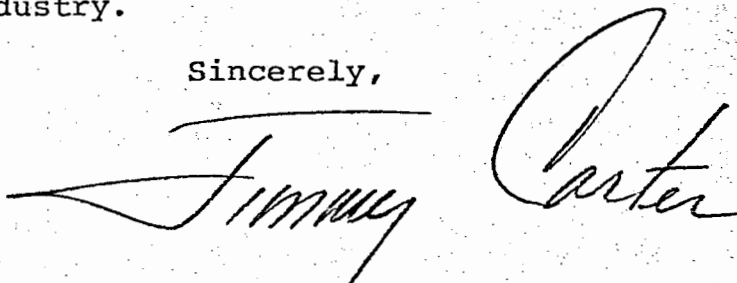
To Senator Warren Magnuson

After careful review, I have decided not to sign Enrolled Bill H.R. 9370 -- the National Aquaculture Policy Act of 1978. I am aware that you, Senator Inouye, and several other members of the Senate and House devoted a great deal of time and energy to this legislation. I am determined that your work this year should not be wasted, even though I cannot approve H.R. 9370.

Consequently, I am asking my staff to begin work immediately with you and other members of Congress to fashion a new bill that can be approved as early as possible next year.

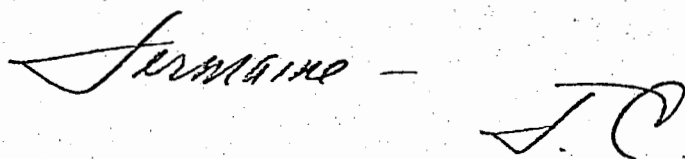
This was a difficult decision for me, since you are a great Chairman and one of my most loyal allies. Nonetheless, I am confident that we can arrive at a mutually acceptable way to speed development of a sound aquaculture industry.

Sincerely,

A large, stylized handwritten signature in dark ink, reading "Jimmy Carter". The signature is written in a cursive style with a prominent "J" and "C".

The Honorable Warren Magnuson  
United States Senate  
Washington, D.C. 20510

*p.s. Give my love to*

A handwritten signature in dark ink, reading "Jacqueline". It is written in a cursive style and is followed by a horizontal line and the initials "J.C.".

THE WHITE HOUSE  
WASHINGTON

10/18/78

Tim Kraft

The attached was returned in  
the President's outbox. It is  
forwarded to you for your  
information.

Rick Hutcheson



Telephone Calls - Week of October 16, 1978

-2-

> Williams Jennings Bryan Dorn  
South Carolina  
803/223-4848  
803/223-1340

TC-10/18/78

Williams Jennings Bryan Dorn is a very popular former Congressman from Northwestern South Carolina who replaced Ravenel as the Party's nominee for Governor in 1974. Ravenel did not support him.

NOTES: Yesterday 10 speeches - Riley  
Introduced Pug in Greenville - a little behind -  
on dark side = Sign textile bill =

> State Senator Rembert Dennis  
South Carolina  
803/899-2111 (o)  
803/899-2927 (h)

TC 10/17/78

President Pro Tem of the Senate - wields behind-the-scene political power across the State.

NOTES: Riley - doing fine  
Ravenel - picking up -  
Vicious Repub TV campaign  
Call Dorn -

> Sen. Marion Gresse + (803) 874-1430  
St Matthews, S.C. H (803) 874-2504  
(would not give an address)

{ Riley in clear  
Ravenel close  
race = strong  
edge = "I will  
not help  
Ravenel"

\* both need to be urged to  
help Pug as much as possible -

State Senator MARION GRESSET  
St. Matthews, South Carolina

(803) 874-1430 (office)  
(803) 874-2504 (home)

TC 10/17/78

Phone call requested by State Senator Rembert Dennis  
during President's conversation with same.

NOTE:

see Rembert Dennis  
notes

"Will not help Ravenel"

THE WHITE HOUSE  
WASHINGTON

Tenn's list  
(last part)

Telephone Calls - Week of October 16, 1978

-3-

> Joe Crangle  
Buffalo, New York  
(o) 716/853-7565

TC 10/17/78

Party Chairman of Erie County. Key aid to Speaker of the House Stanley Steingut. Crangle was in political trouble a year ago but in the last month he has re-asserted himself and has emerged as the dominant political force in upstate New York. He has never been friendly to us, but we need to work on him so that he is not the focus of a primary challenge in '80. You should talk about Carey's chances in the upcoming race. Stress how much your staff and you have been doing to help Carey.

NOTES: Gov. race - <sup>Tough</sup> ~~the~~ can turn around =

Steingut's problems very great

Will stick with us

> Edris "Soapy" Owens  
(o) 515/288-1953

TC = 10/18/78

Former UAW President in Iowa, original member of your steering committee in Newton Iowa, one of the key political forces in the state. His son-in-law Chuck Gifford now heads the UAW and has been quoted a lot lately as a tentative Kennedy supporter in '80 -- although he made a point of touring a plant with Rosalynn when she was there, and being helpful. You could ask Soapy for an assessment of the Clark race, the Fitzgerald gubernatorial campaign (a lost cause actually), and the Democratic Congressional delegation (probably will return intact).

NOTES: Races don't look good =

Legislature hurt = Clark ok =

THE WHITE HOUSE  
WASHINGTON

Tim Kraft call  
lists

R

United States Senate

C

MEMORANDUM

Mr. President,  
I hope you and  
your family will consider  
worshipping with us  
at the First Baptist  
Church of Alexandria, Va.  
We would consider it  
a great honor to have  
you visit us —


Octa Watson

11:15 AM

THE WHITE HOUSE

WASHINGTON

October 17, 1978

MEMORANDUM FOR: THE PRESIDENT  
FROM: LANDON BUTLER   
SUBJECT: Meeting with John Dunlop, Murray  
Finley and others  
DATE: Wednesday, October 18  
TIME: 11:15-11:25am  
LOCATION: Cabinet Room

I. BACKGROUND, PARTICIPANTS AND PRESS PLAN

- A. Background: On June 28, 1977, you met with labor and management leaders of the men's and women's apparel industries to discuss their plans to improve the productivity and competitive posture of the apparel industries in the face of growing imports. You agreed to assist them in this effort. Sixteen months later, these plans are in place for the men's apparel industry.

Labor and management leaders from the industry wish to report on the substantial progress they have made, working with the federal government, to improve the competitive posture of one of the nation's most hard-pressed industries.

This occasion provides an opportunity for you to stress the need for cooperation and thoughtful leadership in the private sector to successfully fight inflation. This joint labor-management-government effort can serve as an example to other industries. Increased efficiency and productivity in the apparel industries will make American goods more competitive here and abroad. It will help to contain price increases, reduce import demand and enhance American export opportunities.

Description of Program

The Amalgamated Clothing and Textile Workers and the Clothing Manufactures Association, working with the Departments of Labor and Commerce, established a joint non-profit corporation to administer a series of programs designed to make the industry more competitive.

- The Department of Labor provides the corporation with CETA funds for on-the-job training of 1500 workers. The program will reduce the average training time and reduce the number of new workers who leave the first 3-4 weeks of employment thereby reducing the cost of manufacturing the garments.
- The Department of Commerce signed a series of contracts with the joint non-profit corporation for programs which include:
  - mini-innovation funds to encourage experiments with new techniques and technology
  - production planning to improve delivery time
  - studies to increase marketing opportunities and export potential

NOTE: Bob Strauss will open the meeting at 11:00am with an informal discussion of textile issues. The Hollings amendment which exempts textiles from the multi-lateral trade negotiations, almost certainly will be discussed. The Administration is uncommitted on the question of vetoing the bill which includes the Hollings amendment.

B. Participants:

Murray Finley, President  
ACTWU

Jacob Sheinkman, Secretary-Treasurer  
ACTWU

Harry Lautman, Vice President  
ACTWU

Chester Kessler, President  
Clothing Manufacturers Association  
(also President, Hammonton Park Clothes)

John D. Gray, Chairman of the Board  
Hart, Schaffner & Marx

B. G. Cox, President  
Joseph & Feiss Company

Lawrence Glazer, Executive Vice President  
Botany Brands, Inc



John Dunlop, Professor of Economics  
Harvard University

Elizabeth Allison, Associate Professor  
of Economics  
Harvard University

Administration: Ambassador Bob Strauss

Secretary of Commerce Juanita Kreps

Textile Negotiator Michael Smith  
(Ambassador-designate)

Undersecretary of Commerce Sidney Harmon

Assistant Secretary of Labor Ernie Green

Assistant Secretary of Labor Howard Samuel

Stuart Eizenstat

Landon Butler

- C. Press Plan: A White House press pool will cover the meeting for five minutes only, beginning with your entrance into the Cabinet Room. Since Finley will speak first, not much time will be left while the cameras are still rolling. Therefore, you should get to the main point (about inflation and the trade deficit) as quickly as possible.

## II. TALKING POINTS

- Murray Finley of ACTWU (Ack-too), Chester Kessler of the Clothing Manufacturers Association, and John Dunlop have been the moving forces behind this effort. They deserve our congratulations and our gratitude.
- This effort, which began with a meeting at the White House 16 months ago, represents exemplary cooperation among labor, management and government to take responsibility for the problems of an industry, improve that industry's competitive position, and in the process to fight inflation.

- By helping American-made men's clothes to compete at home, this program will reduce the demand for imports. By improving the competitive position of American-made goods abroad, it will increase our exports. Both of these developments will help our balance of trade. Both will help us reduce the trade deficit which exerts such severe inflationary pressures.
- I hope that what is being done in the men's clothing field -- the imagination, cooperation, and responsible leadership that has been displayed -- will be repeated in many other industries.

10:00 AM

THE WHITE HOUSE

WASHINGTON

October 17, 1978

BILL SIGNING - OLDER AMERICANS ACT

Wednesday, October 18, 1978

The Cabinet Room

10:00 a.m.

From: Frank Moore *Jm/pd.*

I. PRESS PLAN

Open Press Coverage

II. PARTICIPANTS

Senate

No Senators invited are able to attend. However, Senator Eagleton who was the key mover in the Senate has asked that his wife, Barbara, be allowed to attend as an observer.

House

John Brademas  
Beatrice Brademas, his mother

Senate Staff

Representatives from the Human Resources Committee and  
and the Senate Special Committee on Aging

House Staff

Representatives of Education and Labor Committee and Select  
Committee on Aging

HEW

Secretary Califano  
Hale Champion  
Bob Benedict, Commissioner on Aging  
Don Riley, Deputy Commissioner of Aging  
Dick Warden, Legislative office  
Nancy Amidei, Legislative Office

Federal Council on Aging

Robert Foster  
Everett Friedman

Alan Sheppard  
Muriel Shurr

Jack Ossofsky

Nelson Cruikshank

Senior Citizen Groups

Cyril Brickfield, American Association of Retired Persons

Ruth Braver, Urban Elderly Coalition

Delores David, National Caucus on Black Aged

Betty Duskin, National Council of Senior Citizens

Monsignor Charles Fahey, American Association of Homes  
for the Aged

J. Scott Houston, American Association of Homes for the Aged

Peter Hughes, American Association of Retired Persons

Carmela Lacayo, representing Hispanic elderly

Juana Lyon, representing American Indian elderly

George Maddox, Gerontological Society

Michael Nave, National Association of Retired Federal  
Employees

~~James~~ James Piscioneri, American Association of State Units on Aging

William D. Schaefer, Mayor of Baltimore, representing

Senior Citizens Committee, National Conference of Mayors

Eric Shulman, National Council of Senior Citizens

Larry Smedley, Social Security Division, AFL-CIO

## TALKING POINTS

THE WHITE HOUSE

WASHINGTON

October 17, 1978

MEMORANDUM TO THE PRESIDENT

FROM: JIM FALLOWS, <sup>JF</sup> BOB RACKLEFF <sup>BR</sup>

SUBJECT: Talking Points for Older Americans Act  
Amendments of 1978 Signing Ceremony

1. I am glad that Congressman John Brademas could be with us. He originated these amendments and worked hard for their passage as chairman of the House subcommittee handling reauthorization of the Older Americans Act. It's not hard to find his inspiration -- his mother, Beatrice, is here with him.

Senator Eagleton, whose subcommittee handled this legislation in the Senate, could not be with us. But I want to commend him as another steady supporter of expanded opportunities for the elderly.

2. I am glad that several members of the Federal Council on Aging could attend, including the Council's Chairman, Nelson Cruikshank.

Finally, I am especially glad to have with us representatives of senior organizations which represent about 20 million members. You have been effective advocates of the needs and interests of older Americans, and the legislation we have today owes a great deal to your efforts.

3. Before I comment on the Older Americans Act Amendments, let me put them in the perspective of my Administration's efforts to aid the elderly.

We've all known that for too long, growing old in America has been synonymous with poverty, neglect, loneliness and, in many cases, outright abuse. I have been concerned for a long time that the Federal government should do what it can to end this sad history.

4. The Older Americans Act Amendments follow a number of other initiatives to help older people. They include:

-- the funding of the Social Security system to ensure its solvency in generations to come;

-- the prohibition of mandatory retirement;

-- housing programs that are providing new and renovated housing for the elderly;

-- and tax proposals we sent to Congress to ease the tax strain on the elderly.

5. The amendments I am signing today coordinate and improve a lot of disparate programs that have meant greater independence and dignity for older Americans.

They reauthorize the Older Americans Act for three more years. More important, they include several improvements that I recommended to make social services under this act more responsive and efficient.

We have consolidated grant programs to state and local governments to reduce duplication, paperwork and costs, and to tighten coordination and planning. We wanted to make it easier for service agencies to serve the elderly, and we have accomplished that.

6. I won't go into detail on the other provisions, since there are so many of them, but some of the more important elements are:

-- the new nursing home ombudsman program, home-delivered meals, model programs to provide alternatives for long-term institutional care, and expanded legal services for the elderly;

-- expansion of the community service employment program to provide useful jobs for about 70,000 older Americans;

-- authorizing private suits for age discrimination and directing the Civil Rights Commission to study racial and ethnic discrimination in programs for the elderly;

-- and establishment of the Federal Council on Aging as an independent unit, and authorization for a White House Conference on Aging in 1981.

7. These and other improvements add up to a much-improved Federal approach to serving the needs of the elderly.

I am proud to sign these Amendments today.

9:45 AM

THE WHITE HOUSE

WASHINGTON

October 17, 1978

MEETING WITH BILLY O. HIGHTOWER

New National Commander of Disabled American Veterans  
Wednesday, October 18, 1978  
9:45 a.m.  
The Oval Office

FROM: ANNE WEXLER *Anne*

I. PURPOSE

To greet Billy O. Hightower, the new National Commander of the Disabled American Veterans, and photo opportunity.

II. BACKGROUND, PARTICIPANTS, AND PRESS PLAN

- A. Background: Traditionally, the new commanders of the major veterans organizations have met briefly with the President shortly after being elected. Although not done last year, Max Cleland has suggested that we reinstate these meetings. This is the third of four or five of these brief photo sessions on which we are working with Fran Voorde.

Billy O. Hightower, of Grand Junction, Colorado, was elected National Commander of the Disabled American Veterans at the Organization's recent national convention. An Assistant Professor of Psychology at Mesa College, Mr. Hightower is in Washington for briefings with Max Cleland.

The DAV is well financed and managed with an effective lobbying program. This spring they jammed Congressional switchboards with telephone calls on the VA health budget. The DAV was helpful on the Turkish-Arms Embargo, but it did not support the modified Veteran's Preference proposal in Civil Service Reform. We believe the DAV could be supportive of a number of issues in the future.



- B. Participants: Billy O. Hightower, Gabby (Norman) Hartnett, John F. Heilman, Max Cleland, Guy McMichaels, and Anne Wexler.
- C. Press Plan: No outside press; White House photographer.

III. MATTERS WHICH MIGHT BE MENTIONED TO MR. HIGHTOWER

1. Mr. Hightower should be congratulated on his election.
2. Mr. Hightower should be thanked for the DAV's support on lifting the Turkish arms embargo.
3. You should express to Mr. Hightower our desire to work together on issues of interest to the DAV; that you know Anne Wexler, Rich Reiman and Max Cleland will be working with him and Mr. Hartnett.

A further briefing paper from Max Cleland is ~~attached.~~

BIOGRAPHY OF  
BILLY O. HIGHTOWER

Mr. Hightower, a native of Todd County, Kentucky is a resident of Grand Junction, Colorado. The disabled Air Force veteran is an Assistant Professor of Psychology at Mesa College in Grand Junction, Colorado.

Commander Hightower and his wife, Frances, are the parents of three daughters.

A life member of Grand Junction Chapter #9, Commander Hightower has held numerous local, state and national DAV positions, including Department of Colorado Commander in 1976-77.

Among his special honors are Colorado's Outstanding Disabled Veteran of the Year in 1977 and appointment by two Colorado governors to represent disabled veterans on the Area Labor and Employment Council.

Accompanying Commander Hightower are two members of his staff. Gabby Hartnett, National Director of Services and Rich Hielman. Mr. Hartnett supervises and directs all DAV Service and Legislative activities and manages the Washington, D.C. Office. Mr. Hielman is National Legislative Director.

THE WHITE HOUSE  
WASHINGTON

10/18/78

Hamilton Jordan  
Tim Kraft

The attached was returned in  
the President's outbox today  
and is forwarded to you for  
appropriate handling.

Rick Hutcheson

cc: *Frank Moore*

5397

THE WHITE HOUSE  
WASHINGTON

MR. PRESIDENT -

THIS IS CONSENSUS  
RECOMMENDATION OF  
MYSELF, TIM K. +  
VP. FRANK IS  
WORKING ON CONGRESSIONAL  
SPOTS.

NP

THE WHITE HOUSE

WASHINGTON

October 17, 1978

MEMORANDUM FOR THE PRESIDENT

FROM:

TOM BEARD

*Tom Beard*

SUBJECT:

Investiture of Pope John Paul II

Add:

a) A. Mazewski - Pres of  
Polish-Am Congress

b) The Pope's cousin in  
Detroit (same name as  
Pope)

Omit two of ?'s

*TC*

We will be able to send six (6) delegates and twenty (20) unofficial representatives to the Investiture. I have checked with the Senior Staff in order to include a good cross-section of Polish-Americans on the Delegation. The following lists are suggested individuals to be delegates and unofficial representatives:

DELEGATES (6)

Speaker Tip O'Neill, Head of Delegation

Robert Wagner, Personal Representative to the Vatican

Dr. Zbiginew Brzezinski (*Co-Chairman of Delegation*)

Senator Edmund Muskie

Lucy Johnson Nugent

Rev. Stanley Milewsky, Chancellor, St. Cyril & Methodius  
Seminary Orchard Lake, Michigan. The only Polish-Catholic  
Seminary in the United States.

REPRESENTATIVES (20)

Ten (10) Congressional slots -- Frank Moore

- ? - Gov. Michael O'Callaghan (Nev.) - Suggested by Kraft, Watson and Strauss. Very supportive of key Administration policies.
- ? - Gov. Joseph Garaghy (R.I.) - Catholic, suggested by Kraft and Watson.
- Lt. Gov. Mary Ann Krupsak (N.Y.) - Carried all Polish districts in race against Carey. Suggested by Carey Campaign.
- Azie Taylor Morton - Treasurer of the U.S. - Suggested by Louis Martin
- Stan Franczyk - National Leadership Conference of Polish-Americans, suggested by Kraft and Wexler. Has helped with constituency groups.
- ? - John Connelly (Philadelphia) - suggested by DNC and Cardinal Cooke. Prominent Democrat, funded Ecumenical Congress held in Philadelphia.

Dr. Eugene Kusielewicz - President, The Kosciuszko Foundation, highly respected in Polish-American community.

Jack Spitzer - Newly-elected President of B'nai Brith. Suggested by Ed Sanders.

? - Ray Majerus - Regional UAW Director, Wisconsin and Minnesota. Suggested by Vice-President Mondale.

? - Bishop Dingman - Des Moines, suggested by Vice President on recommendation of Senator Clark.

#### ALTERNATES

Thaddeus Duzcko - Auditor, State of Massachusetts, early Carter supporter worked in Buffalo, N.Y. Hosted the new Pope when he came to the U.S. as a Cardinal. Duzcko's Mother is from the same town as the new Pope.

John Ferraro, President of Los Angeles City Council, a Catholic, good Democrat and supporter of the President.

Max Palevsky, suggested by Evan Dobelle. Is helping on the February DNC dinner.

Mayor Bilandic (Chicago), large Polish-Catholic population.

Edward Bennett Williams, Attorney for the Catholic Church of the United States.

Carlos Portes, Executive Director, Cuban-American Coalition.

Jerry Jasinowski, Assistant Secretary, Commerce for Policy.

Geno Baroni, (Monsignor)- Assistant Secretary for Neighborhoods, Voluntary Associations and Consumer Protection, HUD.

Vickie Mongiardo, White House, (Anne Wexler's staff)

Steve Pawingla, Mayor, Utica, NY.

THE WHITE HOUSE  
WASHINGTON

October 17, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: FRANK MOORE *F.M./BR*  
SUBJECT: CORONATION

In addition to Speaker O'Neill and Senator Muskie, who will be serving as delegates, I suggest we ask the following Members to attend the Coronation:

Senator Joe Biden (D-Del)  
Senator Dewey Bartlett (R-Okla)

*imp* → Congressman James Delaney (D-NY)  
Congressman Joe Addabbo (D-NY)  
Congressman Leo Zeferetti (D-NY)  
Congressman John LaFalce (D-NY)  
*imp* → Congressman Clement Zablocki (D-Wis)  
Congressman Dan Rostenkowski (D-Ill)  
*imp* → Congressman Edward Derwinski (R-Ill)  
Congressman Lucien Nedzi (D-Mich)  
Congressman Frank Annunzio (D-Ill)

*Add  
M. Eulski -  
Take one  
off -*

8:45 AM

THE WHITE HOUSE  
WASHINGTON

October 17, 1978

MEETING WITH DONALD STEWART (SENATE CANDIDATE, ALABAMA)

Wednesday, October 18, 1978  
8:45 a.m. (three minutes)  
The Oval Office

FROM: FRANK MOORE *FM*

I. PURPOSE

Senator Sparkman would like to bring over the second Democratic Senate candidate in Alabama and take a photo for use in campaign materials.

II. BACKGROUND, PARTICIPANTS AND PRESS PLAN

A. Background: State Senator Donald Stewart defeated incumbent Senator Maryonn Allen in the September 26 runoff for the Democratic nomination in Alabama. In the primary, Stewart had 34.6% of the vote and Mrs. Allen had 44%, in a field of five candidates. In the runoff, Stewart won, 57% to 43%. Stewart carried most of the state's metropolitan areas, including Birmingham and Allen's Gadsden home. He also ran strong in the black counties.

Stewart's opponent in the general election is former Congressman Jim Martin, who originally intended to run for Sparkman's seat against Howell Heflin, but switched to the Allen seat after Stewart won the primary. This will be Martin's third try for the Senate. In 1962 he came within 7000 votes of defeating veteran Democrat Lister Hill. In 1964 he was elected to the House but lost his place by running unsuccessfully for Governor against Lurleen Wallace. He tried a comeback in the '72 Senate primary and lost.

Stewart is a hard-hitting, articulate liberal lawyer and State Senator, who is running a well-organized campaign. He made a name for himself in the legislature as an opponent of the Alabama Power Company who fought utility rate increases.



He, too, switched campaigns (in June) having begun his effort for Sparkman's seat two years ago. This change to the Allen race gained him the support of organized labor, which he would have lost to Heflin had he stayed in that race.

Polls show Stewart doing well. (An October 14 Hart poll reports him at 52%, Martin at 24%).

Bob Strauss will campaign for Stewart on October 30. The First Lady is scheduled to be in Alabama on November 3.

B. Participants: Donald Stewart, Senator Sparkman

C. Press Plan: White House photographer

### III. TALKING POINTS

A. A recent Evans and Novak column reported that, in return for a \$5000 contribution from the National Committee for an Effective Congress (NCEC), Stewart made a commitment to support the SALT treaty. Whether or not he did make such a commitment, once this was printed it placed him in a difficult spot, and he may feel inclined to have to reverse this position in some way publicly.

We recommend that you ask him to reserve judgment until you have had a chance to present all the facts.

THE WHITE HOUSE  
WASHINGTON

10/18/78

Stu Eizenstat

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the President's outbox today  
and is forwarded to you for  
appropriate handling.

Rick Huteson

THE WHITE HOUSE  
WASHINGTON

October 17, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: STU EIZENSTAT  
KITTY SCHIRMER

SUBJECT: ENROLLED H.J.RES.1139 - CONTINUING APPROPRIATIONS  
FOR FISCAL YEAR 1979

*Stu - Notify I  
Juanita That I  
want to know plans  
for spending Olympics  
funds - JC*

THE RESOLUTION

H.J. Res. 1139 provides continuing appropriations for a number of Federal agencies through September 30, 1979, or earlier if annual appropriations legislation is enacted. The Resolution provides for certain other authorities and appropriations.

The Continuing Resolution funds programs for which we requested \$17 billion in our FY 79 budget. The principal programs continued by the Resolution are in the health, education, and employment and training areas. They were not included in the Labor/HEW appropriation because authorizing legislation was either approved by Congress too late in the session, or not at all. Under the terms of the Continuing Resolution programs are supported at their FY 78 activity level rather than the FY 78 appropriations level. Therefore, exact FY 79 cost estimates are not now available.

For the CETA public service jobs program, special continuing resolution language requires cutting the level of jobs by 100,000 over the course of the year (a 50,000 man/year reduction). The Administration requested funds for 725,000 jobs. CETA reauthorization legislation cleared Congress in the final days, as did most health and education measures. Still to be acted upon are the ACTION reauthorization, including the urban volunteer initiative and the Health Planning Act. Supplemental appropriations will be needed when these acts pass to bring spending up to the level requested by the Administration, and to fund new programs under other late authorizations, such as the Private Sector Initiative in the new CETA Title VII.

9:30 AM

THE WHITE HOUSE

WASHINGTON

October 17, 1978

BILL SIGNING

H.R. 11886 - Veterans' Disability Compensation and Survivors' Benefits

H.R. 12028 - Veterans' Housing Benefits

Wednesday, October 18, 1978

The Cabinet Room

9:30 a.m.

From: Frank Moore *fm/od.*

I. Press Coverage

Full coverage

II. Participants

Senate

No Members

House

Jack Brinkley  
Margaret Heckler

Senate Staff

Edward P. Scott, General Counsel, Committee on Veterans' Affairs  
Mary A. Sears, Associate Counsel  
John Pressly, Minority Counsel

House Staff

Louis Townsend, Majority Staff, Committee on Veterans' Affairs  
A. M. Willis, Majority Staff, Committee on Veterans' Affairs  
John Holden, Minority Staff, Committee on Veterans' Affairs

Administration

Max Cleland and Guy McMichael, VA  
Lawrence E. Weatherford, Deputy Assistant for Veterans'  
Employment, Department of Labor

Veterans' Representatives

Richard Hamilton, National Black Veterans  
Floyd Henderson, Veterans of WW I  
Billy Hightower, National Cmdr., Disabled American Veterans  
Cooper Holt, Veterans of Foreign Wars

Gerald Jones, Disabled American Veterans  
William Lawson, Minority Veterans' Programs Administrators  
Leon Sanchez, AMVETS  
Robert Smith, Past National Commander, American Legion  
Sumner Vale, Blinded Veterans Association  
June Willenz, American Veterans Committee  
Irwin Ziff, Jewish War Veterans

TALKING POINTS

THE WHITE HOUSE

WASHINGTON

October 17, 1978

MEMORANDUM TO THE PRESIDENT

FROM: JIM FALLOWS, <sup>JA</sup>ACHSAH NESMITH <sup>AS</sup>

SUBJECT: Talking Points for Signing Ceremony,  
H.R. 11886 and H.R. 12028

1. Our nation has always honored those who bravely fought its battles, and has attempted to specially compensate those with disabling injuries. My own state of Georgia gave Revolutionary War veterans and their widows extra turns in the land lottery that distributed much of the land in the state, and John Quincy Adams was concerned as President about making sure pensions for disabled Revolutionary veterans were just.

2. The Veterans Disability Compensation and Survivors Benefits Act of 1978, H.R. 11886, and the Veterans Housing Benefits Act of 1978, H.R. 12028, which I am signing today, are needed because of changing conditions -- particularly inflation that has reduced the value of current benefits.

3. H.R. 11886 will increase the compensation of disabled veterans and their survivors by 7.3 per cent, to bring it into line with the rise in the cost of living over the past year. Unlike Social Security, there is no automatic inflation adjustment.

4. Inflation has also driven up the cost of housing, and H.R. 12028 will expand the opportunities for our veterans, especially the younger, Vietnam era veterans, many of whom are entering an expensive housing market for the first time. This bill will increase the maximum home loan guarantee to a more realistic level, expand the VA home loan program to include the purchase of condominiums and mobile homes, and encourage energy-saving home improvements. Maximum grants for specially adapted housing for the severely disabled will be increased to \$30,000.

5. Our nation has no greater responsibility or debt of gratitude than to the men and women who served their country in battle and returned with disabling injuries. They should not have to bear the extra burden of inflation. Chairmen Cranston and Roberts and Senator Stafford and Representative Hammerschmidt and their committees have guided these bills

to successful passage. I know all of you here and your organizations have also done your part to see that our nation justly honors this obligation.

I'm pleased to sign these two bills and look forward to signing the Veterans Pension bill, H.R. 10173, when it comes over.

# # #



THE WHITE HOUSE  
WASHINGTON

10/18/78

Stu Eizenstat

The attached was returned in  
the President's outbox today  
and is forwarded to you for  
appropriate handling.

Rick Hutcheson

THE WHITE HOUSE

WASHINGTON

October 16, 1978

MEMORANDUM FOR:

THE PRESIDENT

FROM:

STU EIZENSTAT *Stu*

SUBJECT: Domestic Policy Staff Weekly Status Report

URBAN POLICY

If Counter-Cyclical had passed the House, Congress would have passed approximately 75% of urban policy proposals. It failed only because of a lack of a quorum at the end of the Session. As it was, we passed 16 of the 19 pieces of the urban package.

We are working with Jack, Jim McIntyre and Jay Solomon to implement Executive Orders affecting Federal Facilities Location, Federal Procurement and Urban Impact Analysis.

GOVERNMENT REFORM

Civil Service Reform: We are beginning to work with Scotty Campbell on how to most effectively implement our Civil Service Reforms.

*Be sure  
there are  
no scandals or  
serious mistakes*

Federal Pay Reform: CSC has prepared proposals for major revision in how Federal Employee pay is determined. These proposals will be circulated to the agencies for comment, and we will be working with CSC on them.

Sunset: Senator Muskie's sunset bill -- compromised so that it covered about 50% of the budget -- passed the Senate and died in the House. The amendment to include tax expenditures was passionately opposed by Senator Long and lost, 51-40. This is close enough that such an amendment might be passable next year. We will work with Muskie and interested House members to design a stronger bill for introduction at the beginning of the next session.

Privacy: The Administration-supported bill to provide privacy protections for bank records passed both Houses and will be ready for your signature shortly.

#### NATURAL RESOURCES

Public Works Appropriations: We reached an excellent compromise bill in the Senate Appropriations Committee, which attached the bill to the continuing resolution.

Alaska d(2) Lands: No legislation passed this year after last minute efforts at a compromise failed. We are working closely with Interior, Agriculture, Justice and OMB on administrative actions to protect Alaska lands. The d(2) provision expires on December 18. You will receive a decision memorandum before then.

*important  
to do so -  
be firm*

Endangered Species: Legislation passed both Houses which extends the Endangered Species Act authorization for 18 months. It sets up a special procedure for review of endangered species issues on public works projects and specifically exempts the Tellico Dam.

#### DRUG ABUSE POLICY

Mexican Heroin: Mexico arrested and will prosecute Jaime Herrero-Nevarez, the head of the largest heroin trafficking organization in operation (responsible for bringing approximately 3,000 pounds of pure heroin into the U.S. each year). DEA's continuing investigative effort against this organization in Chicago, Los Angeles, and Mexico has resulted in 14 convictions to date with additional indictments to come. Customs and IRS agents are working with DEA to target the financial aspects of this drug trafficking network.

*good -  
top  
importance*

Marihuana: Continuing your policy of discouraging marihuana use, we are preparing an educational campaign aimed at youthful users and the physical and mental health hazards associated with using this drug during the developmental years. We will provide accurate information to parents, teachers, civic leaders and youth about the hazards associated with regular marihuana use. We will not repeat the old scare tactics, but will focus on factual information for use by acknowledged leaders and peers.

Strategy 1978: The draft Federal Strategy for Drug Abuse and Drug Traffic Prevention 1978 is being circulated to Cabinet and public members of the Strategy Council. We will schedule a meeting of the public members to discuss their comments, and a meeting of the full Strategy Council to present the 1978 Federal Strategy to you when it is completed.

CIVIL RIGHTS AND JUSTICE

Judgeships: The enrolled bill creating 152 new federal judgeships will be on your desk within the next few days. A signing ceremony is being recommended and a signing statement pointing out your intention to increase the number of minority and female judges is being prepared.

HUMAN RESOURCES

National Health Insurance: HEW and DPS are analyzing the Kennedy national health insurance proposal. However, the proposal is so vague that it is difficult to develop cost figures for it. Kennedy's hearings, which included attacks on the Administration by Meany and Fraser, were widely publicized.

Hospital Cost Containment: The Nelson Amendment, which we supported, passed the Senate 47-42. This will help passage next year in the Congress.

*Prepare  
'79  
campaign*

CHAP: The Finance Committee reported a CHAP bill which was closer to the Administration's original proposal than the far more expensive version reported by the House Commerce Committee. However, no CHAP bill was brought up on the floor in either the House or the Senate and will need to be reconsidered next Session.

Minority/Women's Businesses: The Administration played a role in reaching a widely acceptable agreement on the minority enterprise bill, which is now enrolled. DPS is working with your Task Force on Women Business Owners, which has proposed that you sign an Executive Order initiating a coordinated women's business policy in order to "balance" your support of the minority business bill.

CETA: The CETA bill which passed is, in general, in line with Administration policy.

Humphrey-Hawkins: Humphrey-Hawkins with the inflation amendment was passed by both Houses of Congress and will be sent to you for signature shortly.

*We'll sign at White House*

Targeted Tax Credit: The Administration's targeted jobs tax credit is included in the general tax bill.

ENERGY

CRBR and DOE Authorization: Funds appropriated for CRBR by continuing resolution on Public Works Appropriations bill. DOE authorization bill, which could have contained authority to terminate or discontinue CRBR, did not pass Congress this year. Funds will continue to be expended on CRBR related activities until Congress reconvenes next year and can act on authorization legislation. Other DOE activities are not seriously affected by lack of authorization legislation since most appropriations made without regard to authorizing legislation.

Solar Domestic Policy Review: Initial draft of response memorandum circulated to Assistant Secretaries for review. Most believe that the draft is seriously deficient and needs substantial additional work. New draft is due October 20, but additional slippage in the schedule is expected. Working with OMB to develop mechanism to ensure that DPR results can be factored into the FY 1980 budget review process, even if the Response Memorandum is not yet final.

Natural Gas and Natural Energy Plan: We are proceeding with Anne Wexler and Frank Moore on a signing ceremony and schedule. *ok*

Nuclear Waste Management: Draft Report to the President cleared by the Interagency Review Group for October 19 release to the public for comment. Draft Report has received widespread approval of all IRG members and should provide sound basis for public comment. Final Report due to you in Mid-December. *?*

AGRICULTURE AND RURAL DEVELOPMENT

1979 Feed Grain Program: We are working with USDA and other agencies on analysis of the options and will have a decision memorandum ready within the next few days.

Anti-Inflation Timber Study: After great difficulty, a memorandum on this topic is now being circulated for final agency review and will be coming to you soon. */*

THE CHAIRMAN OF THE  
COUNCIL OF ECONOMIC ADVISERS  
WASHINGTON

October 17, 1978

EYES ONLY

MEMORANDUM FOR THE PRESIDENT

FROM: Charlie Schultze <sup>CLS</sup>

Subject: Housing Starts in September

Tomorrow (Wednesday, October 18) at 2:00 p. m., the Census Bureau will release estimates of housing starts in September. The level of activity in housing continues to hold up very well.

Total housing starts rose 1.4 percent in September, to an annual rate of 2,073,000 units, following a 3.9 percent drop in August. Residential building permits also increased in September -- by 9.2 percent. For starts the increase was in apartment buildings rather than single-family housing; permits rose for both categories.

High mortgage interest rates are clearly having very little dampening effect on the housing market. Because of the new money market certificates issued by banks and thrift institutions, mortgage credit has remained readily available, and so the usual depressing effect of rising interest rates on homebuilding is not occurring. Apart from the first quarter, when building activity was hampered by cold weather, new housing starts have held in the range of 2.0 to 2.1 million units for the past year.

We still think housing activity will decline moderately next year, as a result of the high cost of mortgage money, but there is no hard evidence as yet that a decline is about to begin.

~~CONFIDENTIAL~~

6128

THE WHITE HOUSE

WASHINGTON

~~CONFIDENTIAL~~ GDS

October 18, 1978

INFORMATION

MEMORANDUM FOR: THE PRESIDENT  
FROM: JIM McINTYRE *Jim*  
HENRY OWEN *HO*  
SUBJECT: PL 480 for Egypt

We recently reviewed the PL 480 situation for Egypt to determine whether unused FY 1978 funds could be used to finance additional Title I grain shipments to Egypt in FY 1979.

We found out that we could not sign an agreement with Egypt in FY 1978 without: (a) cutting back on other country programs in FY 1979; or (b) seeking an increase in the Congressionally-imposed program limitation. There was thus no advantage to acting hastily to beat a September 30 deadline.

The PL 480 Title I program limitation for FY 1979 totals \$840 million, of which \$785 million is available for commodity acquisition. (The rest is for ocean freight differential occasioned by use of American flag vessels under the Cargo Preference Act.) Of this \$785 million, we have already allocated or tentatively earmarked \$760 million for individual country programs. There is little flexibility with respect to even the remaining \$25 million.

The Egyptians have requested 500,000 tons of wheat, in addition to the 1.5 million tons already allocated to them. At current prices, this would cost approximately \$65 million additional. To accommodate the Egyptian request within the current 1979 program and outlay ceilings would require cutting other country programs by an equivalent amount. This would be difficult to do, without serious political and economic disruption of other programs, and it will get steadily more difficult from here on out, since programming for FY 1979 has already begun.

These facts -- plus the further fact that shipments over and above the 1.5 million tons already programmed could not arrive in Egypt until late in FY 1979 or perhaps even early FY 1980 -- suggest that we should review Egypt's request for increased PL 480 in the context of the FY 1980 budget, which we will be submitting to you in mid-November. Unless we hear from you to the contrary, this is the course we will follow.

~~CONFIDENTIAL~~ GDS

~~CONFIDENTIAL~~

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THE WHITE HOUSE  
WASHINGTON

10/18/78

Frank Press

The attached was returned in  
the President's outbox today  
and is forwarded to you for  
appropriate handling.

Rick Hutcheson

cc: Zbig Brzezinski



FOR STAFFING
FOR INFORMATION
FROM PRESIDENT'S OUTBOX
LOG IN/TO PRESIDENT TODAY
IMMEDIATE TURNAROUND
NO DEADLINE
LAST DAY FOR ACTION -

ACTION  
FYI

ADMIN CONFID
CONFIDENTIAL
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EYES ONLY

VICE PRESIDENT
EIZENSTAT
JORDAN
KRAFT
LIPSHUTZ
MOORE
POWELL
WATSON
WEXLER
BRZEZINSKI
MCINTYRE
SCHULTZE

ARAGON
BOURNE
BUTLER
H. CARTER
CLOUGH
COSTANZA
CRUIKSHANK
FALLOWS
FIRST LADY
GAMMILL
HARDEN
HUTCHESON
JAGODA
LINDER
MITCHELL
MOE
PETERSON
PETTIGREW
PRESS
RAFSHOON
SCHNEIDERS
VOORDE
WARREN
WISE

ADAMS
ANDRUS
BELL
BERGLAND
BLUMENTHAL
BROWN
CALIFANO
HARRIS
KREPS
MARSHALL
SCHLESINGER
STRAUSS
VANCE

THE WHITE HOUSE

WASHINGTON

October 16, 1978

MEMORANDUM

TO: THE PRESIDENT

FROM: Frank Press *FR*

SUBJECT: US-China Bilateral Education Exchange

One result of my July trip to the PRC, in which you were particularly interested, was the Chinese proposal to send students here for training. A delegation headed by Chou Pei-yuan (rector of Peking University who was trained in the US as a physicist 50 years ago) has just completed three days of discussions with NSF Director Dick Atkinson here in Washington, with the following outcome:


- . A Chinese request to send 500-700 students and scholars here throughout this academic year - a somewhat more rapid build-up than we had expected, but one which the US academic community can, and is willing to, handle. *sh*
- . Although some undergraduates, masters and doctoral students will be sent, most will be scholars who graduated some ten years ago, and require one or two years of advanced courses in non-degree programs. This is a wise choice on the part of the Chinese, for their more recent graduates would be unqualified for admission to US schools because of the poor quality of their training during the cultural revolution. *sh*
- . Chinese agreement to receive our students and scholars on a reciprocal basis with both sides making their best effort to accommodate the other's interests. (In actuality, fewer Americans will want to study in China.) *sh*
- . The Chinese would pay all costs for their students; our students would arrange their own financing using public and private fellowships or personal funds. *sh*
- . Periodic meetings to evaluate the program. *sh*
- . A mutually agreed "Memorandum of the Record" which, in the absence of normalization, may be a model for written agreements with the Chinese on other issues, such as those to be discussed on Jim Schlesinger's visit. *sh*

The Chinese obviously attach great importance to the US providing training for their scientists and engineers as part of their new thrust toward modernization of their agriculture and industry. The US university system is larger and more diversified than that of other Western nations and has the most potential to help the Chinese. *sh*

*Good J*

THE WHITE HOUSE  
WASHINGTON

MEMORANDUM TO THE PRESIDENT

FROM: LONDON BUTLER   
DATE: OCTOBER 18, 1978  
SUBJECT: GLENN WATTS

Glenn Watts was to have been with you this afternoon at the reception for the World Congress of Postal, Telephone and Telegraph International. Glenn, unfortunately, has fallen ill and will not be able to attend the reception. Glenn would prefer that you not make reference to his illness or absence from the reception.

Louis Knecht (hard K), Secretary-Treasurer of the Communications Workers of America, will be at the reception. Knecht, Emmett Andrews, President of the American Postal Workers Union, and Joe Vacca, President of the National Association of Letter Carriers - the U.S. hosts of the World Congress - will meet you outside the East Room and will walk with you to the platform.

THE WHITE HOUSE  
WASHINGTON

FOR THE PRESIDENT

FROM GRETCHEN POSTON *GP*

DATE: 17 October 1978

SUBJECT: RECEPTION FOR POSTAL, TELEGRAPH & TELEPHONE INT'L  
18 October 1978 2:00 P.M.

2:00 P.M. Buses (est. 11) arrive Southeast Gate and unload at Diplomatic Reception Room. Guests proceed to State floor.

(Refreshments in State Dining Room and  
Main Hall.)  
(Quintet in Main Hall.)

2:30 P.M. The PRESIDENT arrives State floor, and proceeds to podium on east wall of East Room for welcoming remarks.

2:45 P.M. The PRESIDENT departs State floor.

3:30 P.M. All guests depart Residence.

NOTES:

An estimated 625 guests are expected for this function, and there will be press coverage of your remarks in the East Room.


The gate list being used is not identified as to organization for each guest; however, a clearance list is being attached for your information. As you will note, the international representation at this Congress is tremendous.

Briefing papers are arriving from Landon Butler.

THE WHITE HOUSE

WASHINGTON

October 17, 1978

MEMORANDUM FOR: THE PRESIDENT  
FROM: LANDON BUTLER   
SUBJECT: Reception for the World Congress of  
Postal, Telephone and Telegraph  
International

DATE: Wednesday, October 18, 1978

TIME: 2:30-2:45pm

LOCATION: East Room

I. BACKGROUND, PARTICIPANTS AND PRESS PLAN

- A. Background: Glenn Watts, one of your strongest supporters, requested that you host a reception for the World Congress of Postal, Telephone and Telegraph International (PTTI), which is holding its tri-annual convention this week in Washington. This is the first time the Congress has met in the United States. At each past World Congress, the head of state of the host country has held a dinner or reception for the Congress.

PTTI is one of the major Trade Union Secretariats operating in the Free World. It represents over three million postal and telecommunications workers in 86 nations. The US affiliates of PTTI that will serve as the host unions are:

- The Communication Workers of America
- The American Postal Workers Union
- The National Association of Letter Carriers
- The United Telegraph Workers

- B. Participants: The presidents of the four host unions will attend the reception. They are:

Glenn Watts, CWA  
Emmett Andrews, APWU  
Joe Vacca, NALC  
Dan Beckstead, UTW

Attached is a list of the countries represented by the 600+ delegates.

C. Press Plan: White House photographer only.

II. TALKING POINTS

Attached is a memorandum from Jim Fallows with recommended talking points. These points were written after consultation with Glenn Watts and his staff. Glenn particularly recommended that you mention the Panama Canal Treaties.

List of Countries in Which It Has Affiliates.

AFRICAN REGION

Benin  
Botswana  
Central African Empire  
Ghana  
Kenya  
Mauritius  
Niger  
Nigeria  
Rhodesia  
Seychelles  
Togo  
Tunisia  
Uganda  
Upper Volta  
Zambia

(15)

INTER-AMERICAN REGION (CONTINUED)

St. Lucia  
St. Vincent  
Surinam  
Trinidad & Tobago  
U.S.A.  
Uruguay  
Venezuela

(34)

ASIAN REGION

Australia  
Bangladesh  
China  
Fiji  
Hong Kong  
India  
Indonesia  
Israel  
Japan  
Korea  
Malaysia  
New Zealand  
Pakistan  
Papua New Guinea  
Philippines  
Singapore  
Sri Lanka

(17)

INTER-AMERICAN REGION

Antigua  
Argentina  
Bahamas  
Barbados  
Belize  
Bermuda  
Bolivia  
Brazil  
Canada  
Chile  
Colombia  
Costa Rica  
Cuba  
Curacao  
Dominica  
Dominican Republic  
Ecuador  
El Salvador  
Grenada  
Guatemala  
Guyana  
Honduras  
Jamaica  
Mexico  
Panama  
Paraguay  
Peru

EUROPE

Austria  
Belgium  
Cyprus  
Denmark  
Finland  
France  
Germany  
Greece  
Iceland  
Ireland (rep.)  
Italy  
Luxemburg  
Malta  
Netherlands  
Norway  
Spain  
Sweden  
Switzerland  
Turkey

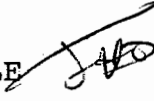
United Kingdom

THE WHITE HOUSE

WASHINGTON

October 17, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: JIM FALLOWS, <sup>JS</sup> JERRY DOOLITTLE   
SUBJECT: PTTI Talking Points, October 18

1. Postal and telecommunications is the most international of fields. Your work knows no national boundaries. By contributing to the swift exchange of information, you build the understanding that is essential to world peace.
2. A few weeks ago, at Camp David, we saw an example of how person-to-person communication can brighten our hopes for peace. But peace can only last through the day-to-day flow of technical, commercial, cultural and scientific information between nations which your 3.4 million members in 86 countries make possible.
3. As labor leaders, many of you are in the forefront of the fight for human rights in your countries. Your stands have been courageous, and often lonely. You are no longer alone. The United States has abandoned that so-called pragmatism which often degenerated into amorality where human rights were concerned. As long as I am President, the United States will be on your side in the struggle to assure these rights for all men and women.



4. The leaders of the four great North American labor unions represented here have sometimes been treated as colonialists at international conferences, I know. But I am told that this has changed, and that your colleagues from the less developed countries now accept you as partners rather than exploiters. Partly this is because the United States has begun to base its foreign policy again on the morality and respect for human rights on which our own nation was founded.

5. In part, too, this is because of the Panama Canal treaties. These treaties give us an opportunity to show that relations between large nations and small ones can be conducted in a spirit of fairness and generosity rather than with what Senator Fulbright once called the arrogance of power.

# # #

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THE WHITE HOUSE  
WASHINGTON

10/18/78

Stu Eizenstat  
Frank Moore

The attached was returned in  
the President's outbox today  
and is forwarded to you for  
appropriate handling.

Rick Hutcheson

	FOR STAFFING
	FOR INFORMATION
<input checked="" type="checkbox"/>	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND
	NO DEADLINE
	LAST DAY FOR ACTION -

	ADMIN CONFID
	CONFIDENTIAL
	SECRET
	EYES ONLY

ACTION  
FYI

	VICE PRESIDENT
<input checked="" type="checkbox"/>	EIZENSTAT
	JORDAN
	KRAFT
	LIPSHUTZ
<input checked="" type="checkbox"/>	MOORE
	POWELL
	WATSON
	WEXLER
	BRZEZINSKI
	MCINTYRE
	SCHULTZE

	ARAGON
	BOURNE
	BUTLER
	H. CARTER
	CLOUGH
	COSTANZA
	CRUIKSHANK
	FALLOWS
	FIRST LADY
	GAMMILL
	HARDEN
	HUTCHESON
	JAGODA
	LINDER
	MITCHELL
	MOE
	PETERSON
	PETTIGREW
	PRESS
	RAFSHOON
	SCHNEIDERS
	VOORDE
	WARREN
	WISE

	ADAMS
	ANDRUS
	BELL
	BERGLAND
	BLUMENTHAL
	BROWN
	CALIFANO
	HARRIS
	KREPS
	MARSHALL
	SCHLESINGER
	STRAUSS
	VANCE

THE WHITE HOUSE

WASHINGTON

October 16, 1978

*ok  
proceed  
J*

MEMORANDUM FOR:

THE PRESIDENT

FROM:

STU EIZENSTAT *Stu*  
FRANK MOORE *F.M.*

SUBJECT: Post-Congress Activities

We are sending you today, in a separate memo, a list of the Administration's legislative accomplishments compared with the Administration's legislative priorities. As you will see, we have achieved an extraordinary number of our major legislative priorities in this Congress.

We think that, over the next week, you and other members of your Administration need to take certain steps following the Congressional adjournment: (1) emphasize the Administration's legislative accomplishments; (2) prepare for possible vetoes for some legislation; (3) determine what action to take with respect to legislation which did not pass; (4) and to thank appropriately those people who have helped to make this Congress so successful for us. We initially recommend the following:

(1) Yesterday a statement was issued thanking the Congress for its work and reviewing its major achievements. Beyond that, however, much more needs to be done to publicize the enormous legislative accomplishments we have achieved. First, Jody might want to distribute a list describing the extent of our accomplishments. Second, within the next several days, you might speak to some reporters on a background basis about your general satisfaction with the Congress' achievements and the Administration's record. Third, major Administration officials, such as Cabinet officers and senior White House staff, should be quickly given a summary of the Administration's legislative accomplishments and asked to emphasize them in their future speaking engagements. Fourth, a description of the Administration's legislative accomplishments now being prepared should be mailed to publications throughout the country.

The Administration's major legislative accomplishment for the 95th Congress should clearly be seen as the energy bill. As all of us know, the bill which passed is much greater in

scope and impact than any bill which the Congress could have reasonably been expected to pass, given its susceptibility to interest group pressure. Unfortunately, initial press accounts seem to be comparing the legislation to the Administration's initial proposal, and indicating that we have obtained about only one-half of what we initially sought. We need to meet with Jim Schlesinger, Jody and Jerry to review exactly how we can turn around this initial spin being given to the energy stories and help develop an emphasis on the importance of what has been passed rather than what was proposed. In the next several days, this should be one of our most important tasks.

(2) We need to determine how to handle those bills which you want to veto. There will, of course, be a number of relatively minor bills passed in the last hours which can be vetoed without much political damage. There will be others, such as the meat import legislation, for which some interest group/public relations effort should be organized to develop support for a possible veto.

Finally, there is the tax bill, which presents the major post-Session decision. Preliminary indications are that the tax bill does not meet fully all the standards we established in such areas as outyear costs, minimum tax, equitable distribution, and capital gains cuts. However, we need a formal assessment of exactly what the bill contains, and the Treasury Department is now preparing such an assessment. As soon as that is available, you should probably meet with your senior White House advisers and Secretary Blumenthal to review the options that are available regarding a possible veto. In the meantime, we recommend that the Administration continue to take no position on whether the bill will be signed.

(3) A number of Administration priorities did not pass, such as hospital cost containment, Department of Education, counter-cyclical revenue sharing, Alaska D-2 lands, labor law reform, labor intensive public works and lobby reform. We will likely be asked within the next several days whether we will be pushing those bills as strongly next year. In almost every case, there should be no doubt that we will be back again seeking enactment of those bills. On some bills, such as labor law reform, we may not want to indicate yet that we will give it as high a priority. A decision will depend in part on what position the unions desire to take on the bill. In any event, at this point, we should probably not make firm commitments to again give the same priority to every piece of legislation which we support but which did not pass. We will shortly provide to you a memo reviewing those bills which did not pass and discussing their legislative prospects for next year.

(4) There are thousands of people who need to be thanked for their direct assistance to you and members of your Administration in making the 95th Congress such a success for us. The senior staff should meet quickly to develop appropriate ways to thank each of these individuals. In some cases, such as members of Congress who were particularly helpful, you may want to send them a handwritten note or to call them. In addition, you might want to host a reception for those business, labor, and state and local government officials who were particularly helpful throughout the past two years working with the Senior Staff. We will soon present to you a more detailed memo on this subject.

cc: Hamilton Jordan  
Anne Wexler  
Jack Watson  
Jody Powell  
Jerry Rafshoon

THE WHITE HOUSE  
WASHINGTON

10/18/78

Hamilton Jordan  
Frank Moore

The attached was returned  
in the President's outbox  
today and is forwarded to  
you for appropriate handling.

Rick Hutcheson

cc: The Vice President  
Zbig Brzezinski  
Phil Wise  
Fran Voorde

THE WHITE HOUSE  
WASHINGTON

October 18, 1978

C

MEMORANDUM FOR THE PRESIDENT

FROM: FRANK MOORE *F. M. / BR*  
HAMILTON JORDAN *HJ.*

SUBJECT: CONGRESSIONAL BRIEFINGS - SALT II

We propose the following scenario for Congressional consultations on SALT II:

1. Although you have talked to Senator Byrd about SALT, we have suggested that Dr. Brzezinski offer him an indepth briefing before Byrd leaves for Europe. We also suggest that Senator Baker be given a similar briefing either in Washington ~~or on a secure telephone in Tennessee.~~ These should be completed this week or early next week. *Byrd's briefing*

*better*

APPROVE ✓ DISAPPROVE \_\_\_\_\_

2. We propose a briefing be held with key Senators at the White House shortly after Secretary Vance returns from Moscow. We suggest you participate in the briefing with the following Senators:

Alan Cranston  
John Stennis  
Henry M. Jackson  
Sam Nunn

Frank Church  
Jacob Javits  
Birch Bayh  
Barry Goldwater

*Maybe a larger group*

APPROVE ✓ DISAPPROVE \_\_\_\_\_

3. If Secretary Vance is successful in Moscow, and it appears likely that a Summit is in the offing, we suggest that you send a letter to all Senators inviting them to a briefing with you at the White House shortly after the elections. The letter should encourage all Senators to refrain from



making public comments on SALT until you have had a chance to brief them, and the negotiations are completed with the Soviets. We have suggested this briefing be held after the elections to avoid making SALT a campaign issue. Although we believe SALT will help candidates in some areas of the country, it is quite likely that some SALT opponents will attack the treaty after a "definitive" briefing with you thereby raising doubts about SALT which we would be hesitant to counter while negotiations are in the final stages.

APPROVE ✓ DISAPPROVE \_\_\_\_\_

4. We suggest that all new Senators-elect be invited to the post-election briefing. *Separate mtg - Preceded by overall foreign affairs briefing*

APPROVE ✓ DISAPPROVE \_\_\_\_\_

5. We are developing a list of key Senators who will have a major impact on SALT II ratification. Some of these Senators will be briefed at the small group session at the White House pre-election, some at the post-election session. We expect that many of the key group, however, will make neither. We propose, therefore, that briefing teams be dispatched from State, DOD, and ACDA just before and immediately after the elections to do in-state briefings of key Senators.

APPROVE \_\_\_\_\_ DISAPPROVE \_\_\_\_\_

6. We suggest that Frank Moore and his staff contact all non-incumbent Democratic candidates for the Senate to urge them to avoid taking a campaign position on SALT II. We are worried that post-Vance/Moscow press attention will force some candidates in close races to take a position on the Treaty. Many of those positions could be negative. We will suggest that they simply say that the Treaty is still being negotiated, and final terms are not yet clear, but in any event they would not support a Treaty that was not in the best interests of the United States. *Check with me on this after next Tues.*

APPROVE ✓ DISAPPROVE \_\_\_\_\_ *J*

THE WHITE HOUSE  
WASHINGTON

October 17, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: ANNE WEXLER  
SUBJECT: Camp David

Knowing that you plan to arrive at Camp David at 10:30 p.m. on Saturday, October 21, I would like your permission to be there with Joe and my son, Danny, Friday, October 20 through Sunday evening, October 22.

Thank you for your consideration of this matter.

*Susan -  
Ask Hugh for  
a summary  
of times top  
staff have  
used C David.  
(this a.m.)  
J*

*ok  
J*

Talking Points to Accompany Stump Speech, Baltimore, Oct. 18

HARRY HUGHES FUNDRAISER

A. On Harry Hughes:

1. Hughes is both able and honest -- the kind of candidate one can endorse without reservation. He has the additional virtue of having beaten the machine -- won without any of the traditional endorsements.

2. His surprise victory over Blair Lee and Venetoulis avoided a split -- the party is strongly united behind Hughes.

3. His background includes:

a) 16 years in the General Assembly; became its leading expert on fiscal matters. Was the chief legislative architect of Maryland's last major tax reform -- the graduated tax system. Leader in developing an equitable aid program for Maryland schools -- tax reform and school aid are two issues that will confront the next Governor.

b) Left the legislature to become the State's first Secretary of Transportation. Welded disparate agencies into cohesive department; worked diligently to produce a balanced transportation plan and system -- city subway, rural roads, Eastern Shore railroads and Baltimore port -- major achievements despite fiscal crisis that hit his department a few years after its creation.

c) Resigned that job over a matter of principle -- Statehouse support of a corrupt contractor -- in May, 1977.

d) One of two Eastern Shore Senators to vote for public accommodations law.

e) Has been Chairman of Democratic State Central Committee. Is an attorney.

Summary:

A gifted legislator; a talented state administrator; a straight-forward man of integrity, experience and compassion.

B. Opposition: Beall -- an ex-Senator -- in an able opponent. His running mate -- Dr. Aris Allen -- is a black doctor. A strong team.

C. Democratic Candidates who will be on Platform:

1. State races

a) Lt. Governor: Sam Bogley -- Hughes running-mate. A horse race.

b) Comptroller: Louis Goldstein. Incumbent. Almost sure to win.

c) Attorney General: Stephen Sachs. Almost sure to win.

2. County Executive races

a) Baltimore County: Democratic State Senator Donald Hutchinson -- very strong candidate.

b) Montgomery County: Democratic State Senator Charles Gilchrist -- very strong candidate.

c) Price George's County: Winfield (Winnie) Kelly.  
Incumbent. Very tough race.

3. Congressional Candidates

a) Incumbents:

1. Parren Mitchell, 7th Congressional District,  
Chairman of Congressional Black Caucus.
2. Clarence Long, 2nd Congressional District;  
App. Comm.; long-term; good cong.
3. Barbara Milulski, 3rd Congressional District;  
Chairman of Party Rules Commission, women's leader.
4. Gladys Spellman, 5th Congressional District.

NOTE: Goodloe Byron, 6th Congressional District  
who died this week of heart attack, has been replaced  
by wife Beverly. She is considered a shoo-in.

b) Non-Incumbents:

1. Joseph Quinn: 1st Congressional District.  
Strong campaign against right-wingers.
2. Sue Ward: 4th Congressional District.
3. Michael Barnes: 8th Congressional District --  
Impressive primary victory.

c) Other Officeholders and Dignitaries on Platform:

1. Senator Paul Sarbanes *Christopher & Greece*
2. Outgoing Acting-Governor Blair Lee
3. Baltimore Mayor Donald Schaefer
4. Outgoing State Attorney General Francis Burch
5. Party Chairman Rosalee Abrams
6. Attorney Clark Clifford (first prominent  
Hughes endorser/contributor)

D. Issues:

No unusual local concerns; no dominant statewide issue. Hughes is seen as an independent who can end Maryland's "old politics" and rid the state of corruption. His personal qualities are his long suit.

E. Misc:

1. Baltimore Sun poll (out yesterday) shows Hughes ahead by 33 points -- 56% to 23% for Beall and 21% undecided. Goldstein is ahead by 51 points and Sachs by 44.

2. Mayor Schaeffer has done an extraordinary job for his city -- the "dollar houses" and urban renewal are outstanding achievements. He is a truly dedicated and accomplished public servant and much admired.

3. Hughes vote on public accommodations is considered important because of the black doctor on the opposing team.

4. Some mention should be made of Byron: "We all share the loss ...." etc.

(SEE ATTACHED STANDARD STUMP SPEECH)

STUMP SPEECH

Two years ago I travelled this country promising a government as compassionate and competent as the American people.

Our party has always been known as the party of compassion. In the last two years we have proven that we are also the party of competence.

We have proved that the Democratic Party is the party of fiscal responsibility.

Republicans talk about tax cuts; Democrats make them.

Republicans talks about balanced budgets -- and run up huge deficits. Democrats draw up responsible budgets -- and cut back inherited Republican deficits.

That's what my Administration has done and -- in one more year of responsible administration -- we'll have cut the sixty billion dollar budget deficit we inherited from the Nixon-Ford years in half.

We are a party of problem-solvers -- and it's a good thing because the Republicans left us plenty of problems to solve.

Any man lucky enough to be President and smart enough to be a Democrat knows his success is based on our long party history of great national -- and international -- purpose:

-- the desire to assure peace and liberty

throughout the world;

-- the desire to help those who are poor, weak, and inarticulate;

-- the desire for strong, sustainable, economic growth;



- the desire to protect our God-given natural beauty, our pure air and clean water;
- the desire to keep power where it belongs, in the hands of our people -- young and old, consumers and producers, wage-earners, farmers and city dwellers alike ....

These are the promises I made to the American people two years ago. They were part of our Democratic platform.

Two years ago I promised the American people that we would get control of the unemployment problem -- and we've done it. There is only one answer to unemployment. Jobs. We got them. Six million of them. Twenty-five percent more Americans are off unemployment and on the job today than on election day, 1976.

Two years ago I promised the American people a responsible government -- a government that was lean, efficient, and manageable -- and that's what we're

giving them.

Two years ago I promised the American people that we would get control of our bureaucracy, restore incentives and the work ethic to our Civil Service system; let our managers manage; get rid of dead wood and bureaucratic bottlenecks; give our public servants a new vision of dedication and service -- and, with the help of the Congress, that's what we've done.

Two years ago I told the American people that we Democrats believed competition and market forces should determine prices -- and we've proved we meant what we said with the airline deregulation act.

Two years ago I said Democrats believed in a free economic system with minimum intrusion by government -- and we've proved it by eliminating regulations almost as fast as the other party used to write them -- and rewriting the ones that are left in plain English.

Two years ago I promised to maintain our national security and keep our nation strong -- and we have done that. The defense establishment has never been so strong.

So long as I'm President, America will continue to be the strongest nation on earth -- you can depend on it.

But that's not all we've done. Two years ago I said peace is not merely the absence of war. Peace is the unceasing effort to preserve human rights. We have made that effort. There is not a day when I have been President that we have not sought to narrow the gap between the values we hold most dear as a people and our actions abroad in the world.

Two years ago I said we would have a government that acted responsibly -- an open government, a government that does not spy on its own citizens, that respects the rightful privacy of every individual and

the Constitutional freedoms we hold dear. We have kept that promise.

I said two years ago that we would eliminate fraud, waste and corruption in our government -- and we are doing it. Not overnight -- it took a long time to create the mess we inherited and we can't get rid of it in one year -- but we'll get rid of it, you can depend on it.

Two years ago, I promised the American people that we would get control of our runaway energy problem -- and at long last we have the national energy plan that will let us do the job.

Two years ago I said my Administration would have an urban policy to revitalize our cities through a "New Partnership" of local, State and Federal government. Congress has acted to give us nearly all of that policy.

Two years ago I promised to bring minorities and women into our government. I have kept that promise.

Two years ago I told the American people that we had to bring our Federal budget under control. When I made that statement the projected Federal deficit was in the high sixties of billions of dollars. We cut that deficit to fifty-one billion my first year in office. We'll get it down to forty billion dollars this year, and we are going to try and get it down to the low thirties next year. In fiscal 1980 the deficit will be half what it was when I was elected -- and we are going to keep right on cutting just as fast as the strength of the economy permits.

I kept that promise, and I kept it while cutting unemployment by one quarter.

This is the kind of fiscal responsibility the American people deserve -- the care and the foresight to meet our people's needs while balancing the nation's books.

For too long Democrats have suffered the undeserved reputation of "big-spenders". We're not big spenders, we're prudent spenders.

Of course Democrats believe in service -- but carefully-budgeted, efficiently-delivered service. We can cut crime, build roads, deliver jobs and feed our people without huge deficits if we get rid of waste and bloat in government.

This is responsible leadership. This is sound fiscal policy -- and the American people know it.

For the first time in political history, last month's Gallup poll showed that twice as many of our people believe that Democrats are fiscally responsible as believe Republicans are fiscally responsible.

That is a good reputation to have and we are going to keep it, you can depend on it.

We still have a lot to do.

We are getting control of our energy problems. We are getting control of the bureaucracy and bringing a new efficiency to government. We are taking control of foreign affairs. Our nation is strong again; proud again -- secure in its place in the world.

And we have made a good start on the most difficult task of all -- solving our economic problems -- in the areas of unemployment and budget deficits. Now it's time to put all our energy into solving the most intractable and corrosive problem we face -- inflation. Inflation hurts every one of us, not just the poor, not just the elderly.

Very soon I will announce a new package of anti-inflation measures. They will be tough, they will require sacrifice -- from business, from labor, from every segment

of our society. They will be tough -- but they will be fair.

This is the future of our Democratic Party -- a future in which we maintain our vision while governing with prudence and responsibility.

We will meet our nation's needs -- and pay our nation's bills. This is our challenge and our goal.

I am proud of what we have achieved in the past year and a half. I am proud of the groundwork we have laid for future achievement.

But there is more to do if the United States is to realize the full promise of our people. We cannot rest on past achievement, we cannot be complacent.

We have work to do.

# # #



POSTAL - TELEGR. - TELEPHONE  
1ST TIME IN U.S. <sup>INTL</sup>

MOST INT of fields

Tech, Com, Cult, Scientific  
info

34 mil in 86 countries

labor leaders - Heim Rts

PANAMA - AFRICA -

PEACE - HUNGER

reception for  
world congress of postal  
telegraph & telephone  
international  
10/18/78

THE WHITE HOUSE  
WASHINGTON

10/18/78

11886 Disab & Survivors  
12028 Housing

Rev. War Veterans + Land

Disab Comp + 7<sup>3</sup>/<sub>9</sub> (inflation)

Max home <sup>175</sup>→<sup>25</sup> loan → Condos, Mobile

Energy - Mod <sup>→30</sup> severely disabled

Active duty reg VA = WWII, Korea

State Vet Cemetery

Plaque at Arlington

Will sign Vet Pension Bill

Jack Brinkley, Margaret Heckler

THE WHITE HOUSE  
WASHINGTON

10-18-78  
12255 Comprehensive  
Older Americans Act  
Amendments  
Strengthen Fed Council on Aging  
WH Conf 1981  
Age/Racial/Ethnic discrimination  
Consolidates Titles III, IV, VII  
Soc Serv - Centers - Meals (home)  
Here -> Greatest econ & social need  
Imp Domestic Volun Service Act

Brademas / Eagleton

THE WHITE HOUSE  
WASHINGTON

10-18-78

Men's clothing mty

7/77 = more viable, efficient  
save jobs - keep costs/prices down

Train 1500 CETA

Mini-innovations

Mktg -

Exports

Better work conditions

Control imports

Inc productivity

Trade deficit \$ 68% in '78

Legis action counterproductive

Taiwan / Korea / Hong Kong

37-38% imports - Textiles total

REGULATIONS

ENERGY = FRAUD

AIRLINE DEREG = FREE ENTER.

BUDGET DEFICITS

LOCAL / STATE GOVT STRONG

CIVIL SERVICE REFORM

STRONG DEFENSE

---

PEACE - LIBERTY - HUMAN RTS.

MID E. SAFER - SALT - GREECE

Raul Sarbanes = Blair Lee = Schaefer

Parren Mitchell = C. Long = M. Kulski

G Spellman = Beverly Byron (Goodbye)

Joseph Quinn = Sue Ward = Mike Barnes

Chmn Rosalynn Abrams

Harry Hughes = Louis Goldstein

Atten Stephen Sachs

→ FISCAL EXPERT = TAX REFORM.

SCHOOL FINANCE = DEPT of XPORT

= COMPASSION / COMPETENCE

JOBS = FARM BILL

H H FULL EMP - PLAN GROWTH

ERA EXTENSION

ETHICS = FRAUD

URBAN POLICY

ANTI - INFLATION



JAMES B. LONGLEY  
GOVERNOR

STATE OF MAINE  
OFFICE OF THE GOVERNOR  
AUGUSTA, MAINE  
04888

R C

October 18, 1978

Mrs. Rosalyn Carter  
The White House  
Washington, D. C. 20500

Dear Mrs. Carter:

On behalf of the family of Maine, Helen and I and our five children, we are proud and pleased to welcome you, as the wife of the President of the United States, to the State of Maine.

As you already know, I am an independent Governor, but we also are a very independent family to the extent we have faithfully tried to honor the vote of confidence of the people of Maine in electing an independent and therefore, I have scrupulously avoided, to the maximum extent possible, partisan involvement with either the Republican or Democratic Parties.

As a matter of fact, up to the present time at least, I have managed to avoid taking any side or favoring or endorsing any of the gubernatorial candidates or any of the congressional candidates, regardless of party, and I hope to continue to maintain that posture right up through election day. Therefore, I hope you will understand that while we welcome you here today, we do not in any way desire or intend to transgress with the purpose or program surrounding your visit other than this official welcome to Maine, as we would not want to indicate any favor or support for either Senator Hathaway or other candidates in the Democratic Party over Representative Cohen and other candidates in the Republican Party, or even independents for that matter. My sole and exclusive mission is to extend the greetings of the State of Maine, in behalf of the people of Maine, to Rosalyn Carter, the First Lady and wife of the President of the United States.

Once again, we are delighted to welcome you to our Loring Air Force Base facility, and we would be remiss if we failed to express a hope that you might be so impressed with the facility and the location that you would also help the people of Maine attain their equal rights with the President and the Pentagon to the extent we feel the United States Government made a commitment and has a continuing responsibility as well as substantial military advantage in maintaining Loring Air Force Base.

Once again, we are delighted to have you visit Maine. You pay us honor, and we in turn honor you as the First Lady of the United States.

Very truly yours,

A handwritten signature in cursive script that reads "Jim Longley".

James B. Longley



STATE OF MAINE  
OFFICE OF THE GOVERNOR  
AUGUSTA, MAINE  
04833

JAMES B. LONGLEY  
GOVERNOR

October 18, 1978

The Honorable Antonia Handler Chayes  
Assistant Secretary of the Air Force  
Washington, D. C.

Dear Toni Chayes:

The thought occurs to me that where I have scrupulously tried to keep you fully informed on any and all developments with respect to Loring Air Force Base, even though I haven't heard from you recently, I felt out of respect to your fair and professional approach, I should copy you on this letter of welcome to Mrs. Carter to the extent there was reference to Loring.

However, once again I am reminded that the Air Force and the Secretary of Defense have never once answered my questions or provided satisfactory reports on my challenge as it relates to Loring, as follows:

- (1) Isn't there a parallel with Loring Air Force Base to the extent of the strategic Northeast location, of trying to play a game of baseball without a first baseman?
- (2) If the Secretary of Defense or the President aren't baseball fans, then perhaps they would understand my analogy as it relates to football ..... isn't the retention of Loring Air Force Base equated to the folly of attempting to play football without a "safety" to the extent Loring, in the Northeast most corner of the country, has both potential for safety for defense purposes, as well as a double duty quarterback from the standpoint of offense to the extent necessary by virtue of its logistical location?

In any event, whether we are talking about football or baseball, the fact remains the national security and the commitment we feel the U.S. Government made to the Limestone Area and the total dependence of not only the area and the county, but the entire State of Maine on this major facility within the states, suggests that there is more than a national security question. There is also a moral question to the extent one or more entire generations of citizens of Limestone and Aroostook County would be disadvantaged and unable to recover during a lifetime, to the extent the major employer and the major economic resource of the area is eliminated and to the extent the Air Force totally disregarded in the past the dependence of this people and this region of Maine on the good faith of the United States Government.

Very truly yours,

*Jim Longley*  
James B. Longley

JBL:bh

cc: President Jimmy Carter

Maine Congressional Delegation



THE SECRETARY OF THE TREASURY  
WASHINGTON 20220

OCT 16 1978

MEMORANDUM FOR THE PRESIDENT

From: W. Michael Blumenthal *Mike*  
Subject: Tax Bill Adopted by Congress

The Conference Committee produced a tax bill that meets many of our major concerns with the original House and Senate versions. The bill still contains several defects. But the final product is far superior to either the House or Senate tax packages.

CONFERENCE RESPONSE TO ADMINISTRATION REQUESTS

Revenue Cost. The Conference agreed to a tax package that provides a reasonable revenue loss -- both for 1979 and later years. For CY 1979, the final bill trimmed about \$4 billion from the Finance Committee bill and about \$10 billion from the bill passed by the full Senate. For CY 1981, the final bill trimmed \$7 billion from the Finance Committee bill and \$19 billion from the Senate-passed bill.

- ° The size of the cut is generally within the range we recommended. (Refer to Tables 1 and 2.) For CY 1979, the Conference bill would result in a tax reduction of \$21.4 billion (compared to the Administration's recommendation of \$20.0 billion). The cost of the bill is just above our proposals for CY 1979 if one disregards the expanded earned income credit -- an expansion similar to what we had proposed for 1982 as part of welfare reform. For FY 1980 and FY 1981, the revenue loss under the Conference bill (including the earned income credit) is only about \$1 billion greater than the Administration's program for those years.
- ° The Senate bill was pared to reasonable proportions by reducing the capital gains cut in CY 1979 by about \$0.9 billion, scaling back the personal cuts by \$8.2 billion, deleting the out-year corporate rate cuts beyond 46 percent, removing the substance of the Nunn amendment, striking the tuition and general jobs credits, and eliminating several other costly provisions adopted by the Finance Committee or the full Senate.



Distribution of Individual Cuts. The \$10.5 billion personal tax cut in the House bill was increased by about \$2.5 billion through an expanded earned income credit and greater rate reductions in the \$10,000 to \$40,000 income classes. The result is a Conference bill substantially more progressive than the House version, but somewhat less progressive than the \$21.1 billion individual cut adopted by the Senate.

- ° Tables 3 and 4 show the distribution of the total individual cuts in the Conference bill, including both personal reductions and capital gains changes. For income classes over \$10,000, the cut is nearly proportional (generally a 6 or 7 percent reduction for each income class). Taxpayers below \$10,000 receive a disproportionately large cut through the earned income credit, and taxpayers with incomes over \$200,000 receive a slightly larger reduction than middle-income groups on account of the capital gains changes.
- ° As shown in Tables 3 and 4, the Conference bill would provide 56 percent of the total tax savings to income classes under \$30,000. That income group would have received 43 percent of the total benefits under the House bill and 60 percent under the Senate Finance bill.

Capital Gains and Minimum Tax. The 60 percent exclusion for capital gains is undesirable. Yet, the total capital gain/minimum tax package adopted by the Conference eliminates the worst features of the respective House and Senate bills.

- ° The cost of the capital gains/minimum tax package for CY 1979 (before feedback from increased realizations of capital gains) is about \$0.9 billion less than the Senate version and about \$1 billion more than the House version. (However, the CY 1979 figure for the House bill does not include the Archer inflation adjustment, which was to become effective in 1980 and would have had an annual revenue loss of about \$4 billion by CY 1983.) Under the Conference bill, the revenue loss is as follows:

Individual capital gains	-\$2.7 billion
Minimum tax on intangible drilling costs (energy proposal)	- 0.1 billion
Corporate capital gains	<u>- 0.1 billion</u>
Total (before feedback)	-\$2.9 billion
Total (after feedback)	-\$2.0 billion -/

- ° The Conferees deleted the Archer inflation adjustment, which had been adopted by the Ways and Means Committee and approved on the House floor.
- ° The homeowner exclusion for \$100,000 of gain in the House bill was scaled down by limiting this benefit to persons age 55 or older.
- ° The minimum tax in the Conference bill adopts the best elements of the House and Senate minimum tax proposals. To deter tax sheltering, the Conference retained the House add-on minimum tax for most preferences aside from capital gains. And to ensure that persons with large capital gains pay more than a token tax liability, the Conference adopted the Senate's 10-25 percent alternative minimum tax for capital gains. Although we would have preferred that the alternative minimum tax on capital gains have a top rate higher than 25 percent, the Conferees generally followed our recommendations in designing the structure of the compromise.
- ° Over our objections, the Conference agreed to postpone until 1980 the application of the carryover basis rules without providing for "fix-up" amendments. Carryover basis is an important reform, and we will have to fight this battle next year.

Removal of Special Interest Provisions. The Conference removed most of the Senate's special interest provisions that we considered offensive.

## GOOD FEATURES OF THE CONFERENCE BILL

### Personal Tax Cuts

- ° The personal tax cuts have a revenue cost that is much more acceptable than that contained in the Senate bill. The modest \$10.5 billion personal cut in the House bill was increased by about \$2.5 billion in additional cuts for low and middle-income groups.
- ° The earned income credit for the working poor was expanded along lines similar to those recommended as part of the Administration's welfare program.

### Business Cuts

- ° The out-year cuts in corporate rates were removed from the Senate version. The top rate will be 46 percent (rather than the current 48 percent) in 1979 and later years.
- ° Following our recommendations, the 10 percent investment credit was made permanent and extended to cover 90 percent of tax liability.
- ° Portions of our urban tax program were adopted. The investment credit was extended to the rehabilitation of existing structures, and a targeted jobs credit was provided. A special IDB limit for areas receiving urban development action grants (UDAG) would be permitted.
- ° The Conferees accepted our proposal to permit an extended period for claiming losses arising from product liability claims.

### Tax Reforms

- ° The Conference bill would eliminate the gasoline tax deduction.
- ° The deduction for political contributions would be removed while the existing credit would be doubled. (We had recommended the deletion of the deduction and a retention of the current credit.)
- ° The Administration's at risk proposals for tax shelters were adopted in substantially the same form as proposed. In addition, a minor portion of our partnership audit proposals is in the bill.

- ° The Conference bill contains our recommendation to tax unemployment compensation benefits for high-income recipients.
- ° The Conferees agreed to deny deductibility for entertainment facilities (such as yachts and hunting lodges). However, a deduction would be retained for country club dues.
- ° The bill contains a nondiscrimination rule for tax-preferred medical reimbursement plans and "cafeteria" plans maintained for employees. This proposal is similar to a concept in the Administration's original tax package.

#### Deletion of Costly Relief Provisions

- ° My October 11 memorandum to you suggested six "big ticket" items that should be omitted from the final bill. The five biggest were omitted.
- ° The Conference bill eliminates a special \$500 personal exemption for the disabled. This would have cost \$0.3 billion in CY 1979.
- ° About \$0.5 billion was saved by keeping the standard deduction for heads of households at \$2,300, rather than adopting the \$3,000 standard deduction in the Senate bill.
- ° A \$0.3 billion expansion of the elderly tax credit was eliminated.
- ° The Conference did not accept a provision that would have permitted employees to deduct contributions to private pension plans. This proposal would have cost an additional \$0.3 billion in CY 1979.
- ° The special "small business" depreciation proposals in the House bill (costing \$0.4 billion) and in the Senate bill (costing \$0.2 billion) were both eliminated.

#### Elimination of Special Interest Amendments

- ° Nearly all the "special interest" provisions for industrial development bonds that we opposed were rejected by the Conference. For example, the Conferees deleted the proposal to permit \$700 million of bonds to be "advance refunded" by E. F. Hutton.

- ° A special 1-year extension of the investment credit carryovers was eliminated. This proposal was designed for Texas International Airlines Inc. and would have cost about \$5 million.
- ° The Conference substantially curtailed a special provision for Sand Springs Foundation and deleted a tax exemption for mutual deposit guaranty organizations in Maryland and North Carolina.

## BAD FEATURES OF THE CONFERENCE BILL

### Personal Cuts

- ° Although the Conference bill is significantly more progressive than the House version, the total package of individual cuts (including both personal and capital gains reductions) is not as progressive as we would have liked. Low-income groups (below \$10,000) received relatively large reductions. It would have been desirable to alter the percentage distribution for other taxpayers by scaling back the cuts going to income classes over \$50,000.

### Business Cuts

- ° We opposed the graduated corporate rate structure contained in the Committee bill. We would have preferred that the top 46 percent rate apply to income in excess of \$50,000, rather than \$100,000.
- ° We recommended that a 10 percent investment credit for pollution control facilities be adopted only if tax-exempt financing were removed for these facilities. The Conference bill would permit taxpayers to choose between the full 10 percent credit and tax-exempt financing.

### Capital Gains and Minimum Tax

- ° The 60 percent exclusion for capital gains is undesirable. We fought hard to retain the 50 percent exclusion, but failed in this effort.
- ° We were opposed to a deferral of the carryover basis provisions without "fix-up" amendments.
- ° The "alternative tax" for corporate capital gains was reduced from 30 percent to 28 percent.

### Special Interest Amendments

- ° The Conference agreed that employers will not have to report to the IRS employee tips added to a check by charge account customers. We feel that this provision condones widespread tax evasion by waiters.

- ° The Conference overturned IRS treatment of certain real estate brokers, insurance salesmen, loggers, truckers, and others as employees rather than independent contractors. Since income tax and social security tax withholding is required only with respect to "employees," this action may present serious compliance problems. We prevailed, however, in limiting the provision to a period ending next year, with a promise that Congress will review the question at that time.
- ° The Conference bill would permit regulated public gas and electric utilities to exclude from income certain customer payments used for the construction of capital projects. Some change from current law on this issue may be warranted, but the modification in the bill is too costly. The revenue loss associated with this provision is about \$100 million.

Table 1

## Revenue Effects of H.R. 13511

## The Revenue Act of 1978

## Fiscal Year Receipts, 1979-84

(\$ millions)

	Fiscal Years					
	1979	1980	1981	1982	1983	1984
<b>Tax Reductions and Revisions:</b>						
Personal taxes .....	-8,345	-14,552	-16,644	-19,351	-24,588	-26,452
Business taxes .....	-2,859	-7,026	-8,475	-9,325	-9,529	-10,246
Capital gains taxes and minimum tax .....	-433	-2,914	-3,234	-3,530	-3,829	-4,155
Tax increase from additional capital gains realizations .....	71	889	900	825	597	184
Total, tax reductions and revisions .....	-11,566	-23,603	-27,453	-31,381	-37,349	-40,669
Extension of existing temporary tax provisions ..	-7,489	-13,865	-16,678	-20,545	-22,461	-24,077
Total, Conference Committee bill .....	-19,055	-37,468	-44,131	-51,926	-59,810	-64,746

Office of the Secretary of the Treasury  
Office of Tax Analysis

October 16, 1978

1/ Includes earned income credit outlays.



Table 2

## Revenue Effects of H.R. 13511

## The Revenue Act of 1978

## Calendar Year Liabilities, 1979-84

(\$ millions)						
	Calendar Years					
	1979	1980	1981	1982	1983	1984
<b>Tax Reductions and Revisions:</b>						
Personal taxes .....	-12,940	-14,992	-17,395	-20,275	-23,704	-27,802
Business taxes .....	-6,406	-7,721	-9,382	-9,203	-9,931	-10,610
Capital gains taxes and minimum tax .....	-2,906	-3,230	-3,523	-3,822	-4,149	-4,503
Tax increase from additional capital gains realizations .....	889	900	825	597	184	200
Total, tax reductions and revisions .....	-21,363	-25,043	-29,475	-32,703	-37,600	-42,715
Extension of existing temporary tax provisions ..	-13,469	-14,160	-19,583	-21,598	-23,248	-24,774
Total, Conference Committee bill .....	-34,832	-39,203	-49,058	-54,301	-60,848	-67,489

Office of the Secretary of the Treasury  
Office of Tax Analysis

October 15, 1978

1/ Includes earned income credit outlays.

Table 3

Conference Tax Bill  
Individual Income Tax Provisions

(1978 Levels of Income)

Expanded income class	Present Law			Conference Bill 1/			
	Tax		Tax liability	Tax liability		Tax change	
	liability	Percentage distribution		Amount	Percentage distribution	Amount	Percentage of present law tax
(\$000)	(\$ mil.)	( percent )	(\$ mil.)	( percent )	(\$ mil.)	(..... percent .....	)
Less than 5	-137	-0.1%	-359	-0.2%	-222	1.6%	162.0%
5 - 10	8,248	4.5	6,671	3.9	-1,577	11.5	-19.1
10 - 15	17,067	9.3	15,984	9.4	-1,083	7.9	-6.3
15 - 20	24,054	13.1	22,466	13.2	-1,588	11.6	-6.6
20 - 30	44,773	24.3	41,636	24.4	-3,137	22.9	-7.0
30 - 50	39,258	21.3	36,530	21.4	-2,728	19.9	-6.9
50 - 100	24,009	13.0	22,359	13.1	-1,650	12.1	-6.9
100 - 200	13,130	7.1	12,473	7.3	-657	4.8	-5.0
200 & over	13,742	7.5	12,703	7.5	-1,039	7.6	-7.6
Total	\$184,145	100.0%	\$-170,462	100.0%	\$-13,683	100.0%	-7.4%

Office of the Secretary of the Treasury  
Office of Tax Analysis

October 15, 1978

1/ Excludes IRA provisions.

Note: Details may not add to totals due to rounding.

Table 4

## Capital Gains, Minimum Tax Change, and All Other Tax Changes

## Individual Income Tax Provisions of the Conference Bill

(1978 Levels of Income)

Expanded income class  (\$000)	: Capital gains and : : minimum tax changes :		All other : tax changes 1/ :		: Total tax changes 1/ :	
	: Amount :	: Percentage :	: Amount :	: Percentage :	: Amount :	: Percentage :
	: distribution:	: distribution:	: distribution:	: distribution:	: distribution:	: distribution:
	(\$ mil.)	( percent )	(\$ mil.)	( percent )	(\$ mil.)	( percent )
Less than 5	-7	0.8%	-215	1.9%	-222	1.6%
5 - 10	-17	1.3	-1,560	13.9	-1,577	11.5
10 - 15	-50	2.9	-1,033	9.2	-1,083	7.9
15 - 20	-85	5.5	-1,503	13.4	-1,588	11.6
20 - 30	-237	9.7	-2,900	25.9	-3,137	22.9
30 - 50	-388	11.5	-2,340	20.9	-2,728	19.9
50 - 100	-488	19.7	-1,162	10.4	-1,650	12.1
100 - 200	-309	12.5	-348	3.1	-657	4.8
200 and over	-897	36.2	-142	1.3	-1,039	7.6
Total	-2,481	100.0%	\$-11,202	100.0%	\$-13,683	100.0%

Office of the Secretary of the Treasury  
Office of Tax Analysis

October 15, 1978

1/ Excludes IRA provisions.

Note: Details may not add to totals due to rounding.

THE WHITE HOUSE  
WASHINGTON

*Kahn*

October 18, 1978

Mr. President:

Since writing this memorandum I have talked with Congressmen Corman and Mikva, both of whom urge your signature and feel strongly that it would be a mistake to veto the bill.

Stu Eizenstat

THE WHITE HOUSE  
WASHINGTON

October 18, 1978

MEMORANDUM FOR:

THE PRESIDENT

FROM:

STU EIZENSTAT *Stu*

SUBJECT: Secretary Blumenthal's Memo on the Tax  
Bill Adopted by Congress

The unpleasant facts we have to face squarely are: the House passed a bad bill, the Senate passed a bad bill, and the final bill is not a good bill. Treasury worked hard and succeeded in correcting many of the most undesirable features of the House and Senate bills, but some of the worst features (particularly in the areas of fairness of distribution and capital gains) remain.

My major purpose in this memo is to set out for you the arguments for and against signing this bill. I think you should announce your decision one way or the other as soon as possible, before pressure builds up on either side. Accordingly, rather than provide a detailed analysis of the Treasury memo, I would just like to make several points concerning it:

1) The major defect in the final bill is that it provides inadequate tax relief for the broad middle class (those earning between \$10,000 and \$50,000) and excessive capital gains reductions for the wealthy. The only real winners in this tax bill are the working poor and the very wealthy. The bill does not achieve your attempt to achieve greater fairness, progressivity, and simplicity and moves in the opposite direction.

2) The Treasury memo states that the final bill is "far superior" to the House bill and "substantially more progressive." This is true only because the House bill contained the Archer Amendment providing for inflation indexing of capital assets, which would cost roughly \$4 billion when fully effective. The Archer Amendment was a fluke: it passed only because liberals on the Ways and Means Committee voted for it in an attempt to disrupt the Ullman/Jones/Conable coalition and torpedo the Jones package. It was well known that the Archer Amendment was

totally unacceptable to the Administration and that any bill containing it would probably be vetoed. No one took the Archer Amendment very seriously; its \$4 billion revenue effects were generally not included in individual distribution tables prepared by the Joint Tax Committee, the press, or Treasury (if they had been, the already inequitable House distribution of the tax cuts would have been so bad as to be completely embarrassing); the Amendment was rejected by the Senate Finance Committee, not even brought up on the Senate floor, and immediately dropped in conference. In short, the Archer Amendment was never considered to be a realistic possibility. When compared to the House bill without the Archer Amendment, the final bill is not superior or substantially more progressive: it loses more revenue, is equally skewed to upper income taxpayers, and cuts capital gains taxes for individuals more. The middle class gets a smaller share of the total tax cut under the final bill than it did under the House bill. In addition, the final bill is substantially less progressive than the Senate-passed bill (which itself fell far short of our own proposals) -- although this occurred only because of the Kennedy amendment which added greatly to the excess budget costs of the bill.

3) The capital gains reductions are \$900 million above the limit we set and represent a major setback for tax reform. The minimum tax adopted by the conference has about 1/5 the revenue raising potential of the present minimum tax. When faced with the final budget choice of cutting back on the capital gains reductions or on middle income tax relief, the conferees chose the latter.

4) Although the conference removed most of the Senate's special interest provisions, many remain. The Wall Street Journal article on the tax bill yesterday devoted a full page to detailing some of them, ranging from pigpens to slot machines to unsold magazines.

#### ARGUMENTS FOR SIGNING THE BILL

1. This bill will get a tax cut of roughly the right size in place before the end of the year. This achieves a major goal of the Administration and protects our budget. Without this bill, there will be a greater risk of an economic downturn in the first half of 1979 (unless other tax cuts could be put in place early next year). The Congress did come a way in meeting our objectives on budget size, the minimum tax, capital gains indexing and on other issues.

2. We have finished the Congressional session on a note of success and generally good relations. A veto now could change the whole tone of the press coverage of the Administration's first two years; and it could significantly damage our relations with Congress. An override might be possible.

3. It might be difficult to bring Congress back before the election for another bill. To veto it and wait until next year or for a lame-duck Session might hurt Democrats running for election. I have talked personally today with several liberals in the House who helped fight for our position. Congressmen Fisher, Pease, Moffett, Gephardt and Bolling (all liberals on tax matters) feel it would hurt Democrats (who have already justified their votes). They stress it would indicate the President and Congress could not get along; that it would remove their defense against Kemp-Roth since they can now say they voted for a responsible tax bill within reasonable budget limits; people do not understand the capital gains and distribution issues; people would have a tax increase soon otherwise; a better bill would be unlikely. Only Congressman Vanik recommended a veto and he too recognized the difficult political consequences. Senator Kennedy has called for a veto.

4. The American people clearly want tax reductions and are probably not very concerned with the details. Accordingly, a veto of this bill could lead to effective political charges by opponents that this Administration and the Democratic Party oppose tax relief. Such charges could hurt some Democrats running for election.

5. Signing this bill would be unlikely to provoke any serious criticism. A veto, on the other hand, would risk a major political confrontation with Congress and the possibility of significant embarrassment.

6. Most important, there is no certainty that we could get a better tax program through Congress. Although the substitution of anti-inflation tax cuts for part of this tax bill would be good economic policy, an attempt to do so would raise charges of inconsistency by the Administration on Social Security and involve a major political battle, with uncertain prospects for success. Long would still oppose such a move. If we just tried to improve the present bill by cutting down on the capital gains reductions and providing greater relief for middle income taxpayers, that too would require a major battle, with uncertain prospects for success and probably not significant enough of a difference from the current tax bill to warrant the effort.

## ARGUMENTS FOR VETOING THE BILL

1. This is not a good tax bill and may be one of the worst in years. It contains large tax reductions for the wealthiest citizens in our country and small reductions for average working people. It would constitute a setback for tax reform. The major problems with this bill are almost all caused by one factor -- the large capital gains reductions. For example:

-- The average taxpayer with over \$200,000 in income would get a tax cut 97 times as large as the average taxpayer earning between \$15,000 and \$20,000. (And the ratio rises to almost 200 times for the top bracket taxpayer who has capital gains.) The top 2% of all taxpayers would get roughly 25% of the total individual tax reductions. Approximately 70% of the nearly \$3 billion in capital gains reductions would go to taxpayers with over \$50,000 in income. The taxpayer with over \$200,000 in income who gets capital gains reductions will get a \$25,000 tax cut. Meanwhile, the average of four earning \$15,000 would get a tax reduction of \$97 -- less than \$2 a week.

-- The middle class (\$10,000 - \$50,000 in income) will actually bear a slightly larger share of the overall tax burden under this bill than under present law (although tax burdens remain essentially the same). Unlike the working poor and the wealthy, the middle class will not be protected under this tax bill against the tax increases due to inflation and social security in 1979 -- they will bear net tax increases.

-- The minimum tax and carryover basis for capital gains at death are probably the two most significant tax reforms of the past 20 years. This bill undermines each of these reforms. The current minimum tax for capital gains would be repealed and replaced by an alternative minimum tax, which would have about one-fifth the revenue-raising potential. Despite your personal expression of strong interest, the conferees refused to "clean up" carryover basis and instead continued to postpone its application, thereby setting the stage for outright repeal next year.

-- Instead of narrowing the preference for capital gains, this bill will substantially widen it. As you know, this is a form of tax reduction geared specifically to the wealthy, with little demonstrable impact on real capital formation.



2. You have stated that the final bill would not be acceptable if it did not correct the "basic errors" in the House bill. The final bill has not done this in all respects.

3. The Conferees did not meet these "bottom line" conditions presented to them by the Administration:

-- Out-year costs "very near or preferably below" our budget. The bill exceeds our budget by \$1 billion in each of FY 1980 and FY 1981. (However, this is accounted for by the earned income tax credit which was part of our welfare proposal and included in out-year budgets by OMB. Thus, there really is no additional out-year cost.)

-- Capital gains reductions at or very near \$2 billion. The capital gains reductions in the bill are \$2.9 billion, almost 50% above our limit.

-- A progressive distribution. Instead, the bill has essentially the same unsatisfactory distribution as the House bill. Significantly absent is the "particular attention to the needs of low and middle income families" which you requested.

-- "Clean up" and do not postpone carryover basis. The conferees rejected that condition.

4. In sum, the Congress failed to meet your basic commitment to make the tax system fairer and simpler.

5. This bill drains off \$20 billion without helping fight inflation. It virtually forecloses our ability to adopt anti-inflation tax cuts such as social security rollbacks and TIP.

6. The major arguments for signing the bill mostly reflect short-term, transitory concerns. A well-crafted veto statement, specifically aimed at the importance of a fair tax reduction for the overwhelming majority of taxpayers, might sell for the average taxpayer -- since the bill does little for him and our argument would be that we want to do more.

In addition, any political balance sheet should also take into account the consideration that if we were able to use a significant part of the \$20 billion for anti-inflation tax cuts, both the economy and the political standing of the Administration might be considerably stronger 12 to 24 months from now than would otherwise be the case. It is correct that we cannot be certain of passing better tax cuts, but if this bill is signed we may have foreclosed any opportunity to try.

## RECOMMENDATION

On balance I believe this bill should be signed. Congress did improve the bill significantly. The only sustainable grounds for a veto in my opinion would be if the bill was excessively costly now or in the out-years. It is not a budget-buster but a responsible bill in its costs -- particularly in light of the fact it includes the cost of a welfare reform proposal -- expansion of the earned income tax credit. A veto would hurt Democrats and the image of Congressional-Presidential cooperation. It is far from clear we would ever get a better bill -- or one with an anti-inflation impact -- since its major problem is a capital gains cut for which there is a tremendous public pressure. Delay in providing a tax cut would threaten a further economic slowdown. The general press attitude seems to be that while the bill is far from what we requested the Congress did come a long way in our direction. Last, the major problem with the bill and its distribution is the capital gains cuts. You would only get a better bill by taking this on directly. I believe it would be a self-defeating enterprise on an issue few understand and on which public opinion cannot be mobilized.

Charlie Schultze concurs with this recommendation.

Frank Moore also concurs. He emphasizes the importance of announcing your decision as soon as possible, preferably on Thursday. He believes that, before the announcement, you should notify Senators Byrd, Long and Kennedy (because he has been our principal tax reform supporter) and the Speaker and Congressman Ullman. Some of these notification calls can be combined with your anti-inflation consultation calls. We will prepare separate talking points on the tax bill for your calls.

THE WHITE HOUSE

WASHINGTON

October 18, 1978

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MEMORANDUM FOR THE PRESIDENT

FROM: Jerry Rafshoon *Jerry*  
SUBJECT: Regulatory Reform and Inflation

As anticipated, the opposition to a truly tough and meaningful anti-inflation program will not come only from the "outside" - it will come with just as much vengeance from our own people whose turf or programs or sincerely held ideologies are threatened. (See the attached Washington Post piece on regulatory curbs.)

I believe that, in substance and symbolically, the regulatory steps in the anti-inflation program are extremely important. They should be as tough as they can possibly be while still consistent with YOUR OWN regulatory philosophy. Labor will scream. Our own people will accuse you of failing in your commitments. Some of them will probably quit. Special interest groups will hound us on each individual decisions. But there is no way to have a truly tough program without making tough decisions.

The program can only survive if it is seen to be credible. It will only seem credible if people see you taking real heat from many sectors in order to make it work. This may be our first chance to prove you're serious.

**THE HARRIS SURVEY**

newsc 10/16

# Less Regulation of Business Favored

By Louis Harris

For the first time in many years the mood of the country has shifted, and a plurality of the public now favors less government regulation of business. By 44-32 per cent, most people also feel that "businessmen's complaints about excessive government regulation of business" are justified, compared to the narrower 39-35 per cent plurality who felt the same way two years ago.

In 1976, 31 per cent of the public wanted more government regulation of business, 27 per cent wanted less regulation and 30 per cent wanted about the same amount as before. Now only 24 per cent opt for more government regulation of business, 30 per cent want less and 40 per cent want essentially no change.

These latest Harris Survey findings indicate

that Americans are simply not inclined to give the government a mandate for further control or regulation of the private sector. But other results from the latest Harris survey of 1,499 adults nationwide suggest that Americans do not have much faith in self-regulation by industry.

● No more than 13 per cent feel that a very effective job would be done if "industry were given the main job of trying to regulate itself and enforce standards of product quality and reliability." Another 54 per cent feel that such self-regulation would be "only somewhat effective," and 26 per cent believe it would not be effective at all. In the past two years the percentage of those who have faith in self-regulation has risen by only two points, from 11 to 13 per cent.

● It appears that confidence in the federal

government's ability to regulate business has slipped. Only 15 per cent now feel that the government would do a very effective job if it were given the responsibility of regulating business and enforcing product standards. But 57 per cent believe that the federal establishment would be "only somewhat effective," and 21 per cent believe government regulation would not be effective at all. The percentage of those who feel that the federal government can effectively regulate business has dropped from 25 to 15 per cent since 1972.

● By contrast, 27 per cent feel that consumer activists could do an effective job of monitoring business and enforcing standards of product quality and reliability. And 23 per cent feel the same way about individual consumers doing the basic monitoring and regulating of business.

# Regulatory Curbs Weighed in Anti-Inflation Plan

By Helen Dewar

Washington Post Staff Writer

The Carter administration is seriously considering a new system of White House surveillance and coordination of major regulatory plans as part of its upcoming anti-inflation program.

No firm decisions have been made, sources said yesterday, and it is not even clear whether the president's latest inflation message, which is expected shortly, will include more than exhortatory language about keeping down the costs of government regulation.

But many government regulators have expressed fears that White House review could lead to politically or economically motivated delays or cutbacks in environmental, health and safety regulations, which some of the president's economic advisers say are too costly.

"The regulators view this as a major intervention from the White House because of what they fear it

might portend," said one official who acknowledged that the absence of any decisions thus far has created a fertile climate for unfounded rumors.

"The problem," this official said, "is the White House is not coordinated."

A key question—as yet unanswered—is whether the regulatory section of the anti-inflation package will be symbolic or substantive. There has been talk for months of trying to reduce the costs of regulation, which the Commerce Department has estimated at \$100 billion a year. Some moves have been made in that direction, but without any overall policy or mechanism for carrying it out.

To overcome this, White House advisers are suggesting a "regulatory calendar," or master list of all major regulatory actions that are contemplated over a specific period, such as one year. This would go beyond the present procedure, started less than a year ago, for White House review of regulations as they come along, a

process that produced a bitter dispute within the administration last summer over rules to protect workers from cotton dust.

What would happen after the "calendar" is prepared is unclear. The idea, several sources said, is that the very exercise of compiling such a list would lead to more focus on priorities and costs.

But there also is talk of presidential intervention in at least some cases and the question of who—the regulators or presidential economic advisers—would have the primary role in the process. Office of Management and Budget officials indicated yesterday that OMB would have the key monitoring role, including recommendations for cost-cutting changes.

As for presidential involvement, one official said there still are questions about the political consequences of intervention and whether President Carter has the legal power to inject himself into a process that Congress

specifically put in the hands of an agency administrator.

Only executive department regulatory agencies such as the Environmental Protection Agency, Occupational Safety and Health Administration and Food and Drug Administration would be affected; independent regulatory bodies would not be covered.

Heads of major executive department regulatory agencies were consulted formally on the plans for the first time at a White House meeting late Monday. One source said afterward that many of them were "enraged" at what they heard, but another said a "more positive" attitude was emerging yesterday as they took up a White House invitation to draft their own ideas for inclusion in the anti-inflation plan.

The current White House proposals appear to be considerably softened from earlier drafts, one of which drew a blistering attack yesterday from

Rep. Paul G. Rogers (D-Fla.), chairman of the Commerce subcommittee on health and the environment.

This proposal would have permitted OMB to set limits on the number of new regulations that executive department regulatory agencies could propose, with only the president having the power to override OMB's decision, said Rogers, who labeled the idea "absurd" and illegal.

An administration official said the idea was advanced some time ago but dropped quickly, as was an idea for a moratorium on regulatory actions that could have a substantial impact on inflation. White House officials said such ideas are definitely not under consideration now.

A White House aide said, however, that the president's proposals to bring down the costs of regulation are likely to be "tough" and controversial, even though no final decision has been made on their shape.

If they are tough in the sense of bringing cost-cutting considerations to

bear on the regulatory process, the outlines of the expected dissent were apparent yesterday in comments both from within government and outside it.

"It all appears to add up to some kind of cork on the regulatory process," complained George Taylor, director of the AFL-CIO's occupational safety and health program. "We'd be very much opposed to it if it embodies an incursion by the president or his economic advisers into the regulatory process."

Said Michael Pertschuk, chairman of the Federal Trade Commission, an independent agency that would not be included in the review process: "I'm concerned that in talking about the burdens of regulation that adequate attention has to be paid to the benefits of regulation, and it's not clear that that has been done or that a balanced approach will be taken."

Staff writers James L. Rowe Jr. and Larry Kramer contributed to this article.

STATEMENT BY THE PRESIDENT

With great pleasure, I am signing into law H.R. 12255, the Comprehensive Older Americans Act Amendments of 1978. These amendments to the Older Americans Act of 1965 are an important step toward more effectively meeting the special needs of our elderly citizens.

In a relatively short time, the Nation has greatly expanded programs for older Americans. We have dramatically reduced poverty among the elderly. We have established a wide array of Federal, State, local and private services to help maintain our older citizens in their own homes, rather than institutions, and to maximize their independence and dignity. Now we are improving these services by strengthening their coordination and planning at all levels of government.

These amendments consolidate several separate overlapping titles of the Older Americans Act into a single title covering all services. They also improve planning for these services to add efficiency at all levels of government and eliminate countless hours of paperwork and administrative burdens.

Moreover, they require better targeting of these resources on low-income and minority elderly.

The amendments continue the Older American Community Service Employment Program for low-income older persons. Congress expanded eligibility under the program to individuals with somewhat higher incomes than poverty level. But I hope that the program administrators will ensure that those in greatest need can have the first opportunity to participate.

The amendments also extend for three years ACTION's three Older American Volunteer Programs: Retired Senior Volunteers, Foster Grandparents, and Senior Companions. These programs provide volunteer opportunities for persons age 60 and over to serve meaningfully the infirm, the mentally retarded, and other individuals in their communities. <

THE WHITE HOUSE LAST DAY FOR ACTION  
WASHINGTON Wednesday, October 18

MEMORANDUM FOR

THE PRESIDENT

FROM

STU EIZENSTAT *Stu*  
KATHY FLETCHER

SUBJECT:

Enrolled Bill H. R. 9370 --  
National Aquaculture Policy  
Act of 1978

*Frank -  
abbreviate # 9/11  
message to  
send it Maggy  
J*

You must decide by Wednesday, October 18, 1978, whether to sign or veto this bill.

THE BILL

This bill establishes a new plan and program for aquaculture (production for food of aquatic species in controlled environment) in the United States. It is designed to accelerate the development of an aquaculture industry to provide food and jobs and to reduce fish imports.

The bill would:

- Establish a National Aquaculture Council consisting of the Secretaries of Agriculture, Commerce and Interior. The Council would be responsible for developing a National Aquaculture Development Plan within 18 months of the creation of the Council.
- Establish an Interagency Aquaculture Coordinating Committee composed of the three agencies on the Council, plus Energy, EPA, the Corps of Engineers, FDA, SBA and the Farm Credit Administration.
- Authorize a grant and contract program to allow the Secretaries of Commerce, Interior and Agriculture to pay up to half the costs of any activities under the National Aquaculture Plan they develop.



## MEMORANDUM OF DISAPPROVAL

I have withheld approval from H.R. 9370, "A bill to establish new Federal programs and assistance for the development of aquaculture in the United States."

While the underlying purpose of the bill -- development of an active aquaculture industry is sound, I am concerned that the numerous broad-reaching programs established under the bill are premature. H.R. 9370 would establish a National Aquaculture Council to assess the state of aquaculture in the U.S. and to prepare a National Aquaculture Development Plan -- a detailed set of Federal activities to expand the commercial potential of certain aquatic species. It would establish substantial new programs of Federal assistance to carry out the plan and undertake demonstration projects in aquaculture. The bill also would create a Federal Aquaculture Assistance Fund to provide financial assistance and support to the aquaculture industry through a new Federal loan guarantee program and a new Federal insurance program.

The Administration recognizes the importance of aquaculture, the need for effective programs to support this, and the concept of an assessment of the aquaculture industry. In fact, many of the actions that the bill would require are already underway. Federal agencies are now involved in a wide variety of aquaculture activities, and they already have the legislative authorities they need to provide research and technical and financial assistance to the aquaculture industry. For example, the Small Business Administration can assist small business concerns which are engaged in aquaculture. The Department of Commerce, through its aquaculture research activities and the Sea Grant program, is supporting marine research, development, and advisory services. The Department of the Interior spends about \$15 million yearly on freshwater aquaculture at its fish hatcheries, research and development laboratories, and cooperative

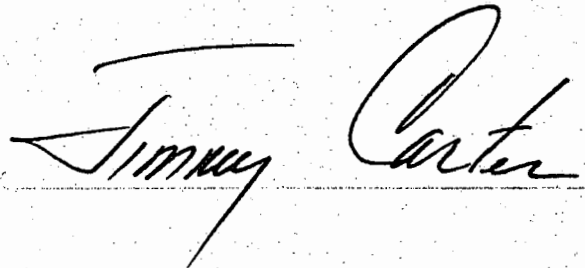


fishery units. The Agriculture Department provides a complete range of information and technical assistance related to aquaculture. Additionally, the Farm Credit Administration is authorized to extend credit to harvesters of aquatic products.

We also have in place a way to coordinate the aquaculture programs of the Federal Government -- namely, the Interagency Subcommittee on Aquaculture of the Federal Council on Science and Technology.

Given this array of Federal activities, I believe we should more carefully assess the need for additional programs in this area. In particular, I am concerned about offering major new government subsidies such as the loan guarantee and insurance programs unless and until a clear need for them has been established. Accordingly, I must withhold my approval of the bill.

My Administration will continue to assess the needs of aquaculture and the effectiveness and adequacy of the Federal programs in this area. We look forward to reviewing these programs next year with the sponsors of this measure in the hope we can agree on additional improvements in the government's aquaculture program.

A handwritten signature in cursive script, reading "Jimmy Carter". The signature is written in dark ink and is positioned above a horizontal line.

THE WHITE HOUSE,